Greenwich Council

Statement of Accounts

For the year ended 31 March 2011

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Message from the Leader of the Council

In introducing Greenwich Council's Statement of Accounts for 2010-2011, I am pleased to report that our stewardship of public money has proved to be robust. Once again, the District Auditor has praised Greenwich Council for being "financially prudent".

Nevertheless, these are challenging times for the Council, and the Government's decision to reduce its funding for services in the borough by £63m over the next four years has set a tough challenge for all of us.

In meeting these new financial circumstances, the Council recognises that it is not just the Council that is facing financial difficulties. Local residents, too, are finding it hard to meet increasing living costs and that is why the Council has agreed to freeze Council Tax rates once again in Greenwich this year.

This means that the Council has not increased Council Tax rates for seven out of the last 13 years, a record that we believe is unparalleled elsewhere.

In setting our spending plans, the Council's overriding aim has been to protect frontline services wherever possible – and that is something that I believe has been achieved.

Despite the clear financial challenges, there are still many reasons to look to the future with hope, excitement and pride in Greenwich.

2012 will be a flagship year for everyone in the borough as we host part of the Olympic and Paralympic Games, by which time we shall also have become the Royal Borough of Greenwich.

A priority for the Council is to use the Games to inspire residents of all ages to get more active and for this reason we are investing in sports facilities that will serve as an Olympic legacy in our schools, parks, playgrounds and housing estates. The Council is working closely with tourism venues and other local businesses in order to attract the maximum benefit from our role as host borough for the Games.

We continue to capitalise on the success of Greenwich Peninsula – home to the word's most popular entertainment venue, The O2. This is a growing destination for business that's providing large numbers of jobs for local people and developing as a hub for creative industries. Opportunities in this sector will expand still further this year now that Ravensbourne has opened its new design and digital communications campus.

A new hotel, cruise liner terminal and spectacular cable car across the Thames will all help to establish the Peninsula as a world-class visitor destination.

The Council has continued with its programme of modernising services for residents and businesses, with the Woolwich Centre due to open in the heart of Woolwich in Summer 2011. The centre will offer access to a range of Council services in one convenient location, including a new, expanded library and a service centre to deal with all face to face Council business.

By bringing all these services under one roof the Council has been able to create this new centre at no extra cost to the Council taxpayer.

The Woolwich Centre follows on the heels of the extremely popular Eltham Centre, which has welcomed almost three million customers since it opened in 2007. Work on the third and last of the Council's major service centres – on the site of the former Greenwich District Hospital – will begin soon.

Our programme to invest in modern homes has also continued, and the first residents are now well established at Kidbrooke Village. This major regeneration scheme will grow to over 4,000 new homes, together with new schools, businesses, healthcare, improved transport links and community facilities on the site of the former Ferrier estate.

Through our Decent Homes programme the Council has upgraded some 22,000 Council homes. And for the first time in more than two decades, we have built and let new family homes for Council tenants. Around 60 new homes were built on 12 sites across the borough, helping to meet the growing need for bigger houses for larger families.

Five of our secondary schools are being rebuilt or substantially refurbished, and the first - at Crown Woods College in Eltham – is now open.

We're also investing in primary schools and have this year seen the opening of a new extension to Boxgrove school in Abbey Wood, a completely new school building for St Mary Magdalene school in Woolwich, a new early years centre at Rockcliffe Manor primary and a new nursery at Morden Mount primary.

These schemes, with others planned between now and 2014, are helping ensure that there are sufficient school places in the light of population trends.

Despite Government cuts we have kept our network of 23 Children's Centres open, as we recognise the vital role they play in supporting local families.

Our recycling services continue to prove popular among residents, and recycling rates continue to increase.

Reflecting the concerns of the local community for action to be taken against crime and anti-social behaviour, the Council has once again invested in a dedicated Police unit tackling serious and violent crime. This unit has chalked up many successes, including against firearms and drug dealing, and helped to ensure a fall in local crime rates.

In the coming year the Council will continue to look for further efficiencies in the way that it provides services. At a time of reduced public sector budgets, this is vital in helping to protect local people from the worst impact of budget cuts.

Chris Roberts

Cllr Chris Roberts, Leader of the Council

Explanatory Foreword

This document sets out the Council's Statement of Accounts for 2010/2011. This is the first year that the Council has had to prepare the Statement of Accounts on the basis of a full adoption of International Financial Reporting Standards (IFRS).

The 2010/2011 Code of Practice on Local Authority Accounting is the first Code to be based on IFRS and, as such, the Statement of Accounts for 2010/2011 differ significantly from those presented in previous years. Note 2 to the Statement of Accounts sets out the main changes that have been applied.

In accordance with the Code the following financial statements are presented within the Statement of Accounts:

Financial Statement	**Commentary**
Movement in Reserves Statement	This shows the movement in the year on the different reserves held by the Council. These are further analysed in Notes 8, 22 and 23.
Comprehensive Income and Expenditure Statement	This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
Balance Sheet	This shows the value at each Balance Sheet date of the assets and liabilities of the Council. The net assets are matched by the reserves held.
Cash Flow Statement	This shows the changes in and use of cash and cash equivalents during the period.

In addition the Statement of Accounts includes specific notes that set out the accounting policies of the Council and other explanatory information.

Review of 2010/2011

Revenue expenditure

The year has been heavily influenced by Central Government grant announcements, the continuing pressure on Social Care budgets and the residual impact of the recession.

In May 2010 the Government announced in year reductions in grant funding to local authorities totalling £1.166bn. Of this sum the grant reduction for Greenwich was £4.203m.

In January 2011 the Government announced the Local Government Finance Settlement which sets out the amount of grant funding that local authorities can expect to receive from the Government in 2011/2012 and provisional amounts for 2012/2013. Based on the Government's announcements, the Council has estimated that its funding will reduce by £63m over the next four years.

Mindful of the prevailing economic situation and the probability of significant reductions in future grant

funding, the Council initiated a review of its four year Medium Term Financial Strategy (MTFS). This identified £48.6m of savings towards the overall estimated target of £63m.

Monitoring reports during the year have highlighted the high levels of demand across the care budgets of both Children's and Adult Services and the adverse impact that the recession has had on Council income levels. It is, therefore, pleasing to note that a combination of management action and financial management has restricted the level of overspend to £1.15m.

The refreshed MTFS will continue to monitor these pressure areas throughout 2011/2012.

There are two material items that the Council is required to show within the Comprehensive Income and Expenditure Statement for 2010/2011, neither of which affects the final revenue outturn.

Housing stock is valued in the Council's accounts on the basis of existing use as social housing. This is defined by the Government as a percentage of the vacant possession value on the open market. For 2010/2011, this percentage has been reduced from 37% to 25%. This has contributed to a reduction in the value of the Council's housing stock of £379m and has been charged as an impairment to the revenue account (Local Authority Housing HRA). There is no net effect on revenue, but the Council's Balance Sheet Equity has been reduced by this figure. (Please refer to Note 5 of the accounts.)

In 2010 the Government announced that in future the Pension Increase Orders would be linked to the CPI rather than RPI and this impacts on the increase applied to pensions in payment and the revaluation of pensions for deferred members. A credit entry of £100m is reflected within the Comprehensive I&E Statement (Non Distributed Costs). This is not a true charge against the net movement in the year and is, therefore, transferred to the Pensions Reserve. (Please refer to Note 5 of the accounts.)

Capital expenditure

In 2010/2011 the Council spent £141.6m on capital projects. Of this expenditure £58.2m was on enhancement and improvements to Council dwellings. The other main areas of capital expenditure were:

- Works on roads, bridges and footpaths £9.5m
- Renovation grants and grants to housing associations £2.5m
- Schools £17.1m
- Modernisation Projects £37.7m
- Other properties £16.0m
- Vehicles £0.6m

This expenditure forms part of the Council's approved capital spending plans that were reported to Council as part of the 2010/2011 reporting cycle. It has been financed from a number of sources:

- Borrowing supported by government financial assistance £13.8m
- Borrowing unsupported by government financial assistance £30.2m
- Capital receipts £36.5m
- Government grants and other contributions £53.1m
- Revenue contributions £8.0m

All borrowing undertaken is sustainable in that all debt servicing costs are supported by identified revenue budgets.

Total outstanding borrowing at 31st March was £533.5m, which should be viewed in the context of the Council's asset base, which has a net book value of £1.781bn.

Introductory Statements

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the chief financial officer.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Chief Financial Officer

I hereby certify that the Statement of Accounts on pages 21-135 give a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2011.

Debbie Warren CPFA **Dated** **27 July 2011**
Chief Finance Officer

Annual Governance Statement

1. Scope of responsibility

Greenwich Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Greenwich Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Greenwich Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Greenwich Council has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Governance and Audit. This statement explains how Greenwich Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the effectiveness of its system of internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Greenwich Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Greenwich Council for the year ended 31st March 2011 and up to the date of approval of the annual statement of accounts.

3. The governance framework

The following paragraphs outline the key elements of the systems and processes that comprise Greenwich Council's governance framework and arrangements.

Identifying and communicating the Council's vision

The Greenwich Strategy (the sustainable community strategy for Greenwich) sets a vision to 2015, established by the local strategic partnership, for the whole of Greenwich.

The Corporate Plan, which is the Council's own planning document, identifies the Council's specific role in helping the Greenwich Partnership achieve the overarching community vision. In doing so, it pulls together the key elements of a hierarchy of statutory and other plans and establishes the priorities for the Council over the three year period. The 2008 - 2011 Corporate Plan therefore set out the objectives and key tasks for the period and incorporated the targets agreed with central government

for the Local Area Agreement (LAA). The three-year Corporate Plan is examined annually to ensure that the vision and priorities remain relevant over the period that the document covers. Performance against the targets in the Local Area Agreement, and therefore against the priorities within the Corporate Plan, were assessed regularly by the Overview and Scrutiny Committee.

Reviewing the Council's vision

The Greenwich Strategy is reviewed in depth every 5 years. The Council, as a major partner signatory to the Strategy, endorses the document prior to the collective adoption by all the partners at the Greenwich Partnership (the local strategic partnership for the borough).

The Greenwich Partnership has carried out a self-evaluation process to examine progress against the Greenwich Strategy vision. However the Strategy will need to be reviewed to reflect any changes introduced by the Government. In addition there have been annual 'refresh' discussions with the Government Office for London on the LAA which ran until the end of 2010-11. Where priorities changed, revised actions and targets were cascaded down through to the partner corporate plans, including that of the Council.

Through this process, the Council's vision is developed, updated and reported in the Corporate Plan. The on-going review of the achievements of the Corporate Plan is undertaken by the Overview and Scrutiny Committee.

Measuring the quality of services for users

The Council has laid down its service commitments and standards (people and customers first) and its overarching Values are published in the Corporate Plan 2008-11.

The quality of service is dependant upon a robust performance management framework. In Greenwich, this framework has a number of levels and linkages. The Greenwich Strategy sets out the local strategic partnership's role in delivering the community vision for the borough. The Corporate Plan explains how the Council will contribute towards the partnership vision, including its contribution to achieving the shorter-term targets established with partners and agreed with the government under the Council's Local Area Agreement 2008-11. It also sets out how the Council seeks to secure continuous improvement in service delivery.

The Council has a corporate service planning framework which ensures that each service undertakes an annual self-evaluation process which leads to improvement planning and thus provides action plans at directorate-wide and service delivery level.

This framework is reviewed annually and a new approach to service planning, and to managing performance across the Council, has been agreed. A new business planning structure and new reporting arrangements to Cabinet and to Greenwich Management Team have been developed and these will be implemented during 2011-12.

At the operational level, the Council's Performance Review and Development Scheme for all staff (PRADS) ensures that individual employees' work task objectives link into the corporate plan and community strategy priorities and that they are monitored regularly by line managers.

At member level, the Council has arrangements for councillor scrutiny of performance across the whole authority and also with regard to the Local Area Agreement targets which are owned by the wider Greenwich Partnership.

Each scrutiny panel monitors performance across the range of services which fall within its remit and the Overview and Scrutiny Committee, the overarching scrutiny body, monitors the performance of the Council and its partners in delivering its Local Area Agreement.

During 2010/2011 Members of the Overview and Scrutiny function took a proactive approach to scrutinising the management and use of Council assets considering a range of reviews around the strategic developments taking place including reports on the modernisation programme. There has also been appropriate member involvement in the development of the new Housing Delivery Vehicle and the governance arrangements associated with the Council's wholly owned subsidiaries e.g. GSS, GSP and Gateway Employment Ltd.

The Leader allocates portfolios to each Member of the Cabinet and he/she is then responsible for performance matters in that area.

At the corporate level, Greenwich Management Team (the Council's strategic management team) has a meeting once a month which focuses exclusively on issues relating to performance management.

At directorate level, departmental management teams monitor performance on a regular basis. At service level, it is the responsibility of the service manager to undertake day to day monitoring of performance.

The service plan itself is designed to be a monitoring tool as well as an improvement planning tool. Thus, performance against targets and the performance in implementing the key tasks for the year can be tracked. Since the introduction of the new performance management IT system, this tracking is undertaken using the new system.

There is an officer group, the Performance Management Group, made up of representatives from all directorates of the Council and which is responsible for the development and maintenance of the corporate performance management and monitoring arrangements based around the corporate performance framework. A sub-group of this body meets to oversee the use and development of the performance management IT system. Regular bulletins are issued on any matters which relate to performance management issues, whether at the national, regional or local level.

In addition, the E3M group, which had representation from all directorates of the Council, led on and monitored performance against value for money reviews and targets. However the Council faced significant budget reductions in the 2011/13 budget process, so it was been agreed that E3M stood down and that the approach to implementation of reductions and proposals for further efficiencies would be dealt with directly by Greenwich Management Team (GMT) through the Medium Term Financial Strategy (MTFS). (For the Local Area Agreement, there was a multi-agency LAA Officers Group with a membership which included Council officers and the other main public sector partners and the voluntary sector. This examined progress on the LAA, looked at developments for the future and also acted as a forum for the exchange of good practice and the development of coordinated performance management arrangements.)

Ensuring quality data

The Council also has a coordinated approach to data quality matters. There is a performance data quality policy and guidance manual.

The Council's guidance document, *Performance Data Quality in Greenwich,* sets out the quality standards required, advises on the usage of data and defines the key roles and responsibilities in the process.

Within the Council, chief officers have responsibility for ensuring that performance data quality meets the standards required and the Assistant Chief Executive (Policy Inclusion and Partnerships) has the role of Corporate Performance Data Quality Champion. He ensures that data quality is discussed by the Council's management team (GMT) and the officers' Performance Management Group.

He is also responsible for reviewing the policy and guidance annually and for signing off any changes which are then circulated to all relevant officers, including chief officers. The annual review of the

policy took place during spring 2010 and was signed off by the Assistant Chief Executive (Policy Inclusion and Partnerships) on 8 June 2010.

Whilst primary responsibility for establishing data quality arrangements which adhere to the overall policy and guidance is devolved to service directorates, the review and reporting framework which has been put in place means that there is a regular examination of data quality, and data quality arrangements, at different levels across the Council.

Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions and protocols for communication

The Council's constitution has been in existence since 2001 and, amongst other things, it defines and documents the roles and responsibilities of the Cabinet (executive), Council and Scrutiny (non executive) and Chief Officers. It also provides clear direction for decision making and delegation and is continuously reviewed to ensure that it is current and up to date. Following the 2010 elections the Council elected its Leader for a four year term and in June 2010 he introduced a new Scheme of Delegation, which included for the first time delegation to individual Cabinet Members. The provisions of the Constitution were reviewed to take account of the Leader's new scheme of delegation.

With regards to communication, the Council has communication standards and guidance which cover both internal and external communication, designed to produce greater consistency, effectiveness, economy and co-ordination of the Council's communication with the public. Decisions made by the Council are communicated via minutes which are published on the Council internet and in the printed form. Decisions taken by the Cabinet and Cabinet members are published direct to the web site on the day of decision and are made available for call in.

Developing, communicating and embedding codes of conduct

The Head of Law and Governance is the Council's Monitoring Officer. He is responsible for ensuring the lawfulness and fairness of decision making and monitors and reviews the Council's Constitution. He is also the lead officer supporting the Council's Probity and Conduct Panel (Standards Committee). The main objectives of the Probity and Conduct Panel are to promote and maintain high standards of conduct by Members of the Council and to deal with complaints that Members have broken the Code of Conduct. The Council has within its constitution, a Code of Conduct for Members and protocols for good practice in planning and in licensing.

Within the Council's Human Resources Policies and Procedures, there are the Rules and Codes of Conduct for employees and Officers Declaration of Interests Policy, which includes the policy on the acceptance of gifts and hospitality, and conflicts of interest and the use of confidential information. Within the Constitution, there is also a protocol for working relationships between Members and Officers of the Council.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, defining how decisions are taken and managing risks

Financial Control

Responsibility for the financial management of the Council falls within the statutory functions of the S.151 Officer and is primarily discharged through the Finance Directorate and devolved finance teams. Financial Standing Orders (Regulations) and Procedures, and Schemes of Delegation provide the framework for financial management across the Council. The S.151 Officer ensures that these are kept under continuous review and properly communicated to staff.

There are regularly updated financial systems procedures and manuals which cover all the Council's main financial systems. The Council's Budget and Policy Framework comprises all key strategies and plans which are required by statute to be agreed by the full Council. The Council has in place established mechanisms for the reporting of financial/management information to both Members and Officers. There are quarterly revenue monitoring and annual outturn reports presented to Cabinet, which are also provided to the Greenwich Management Team.

Decision Making/Scrutiny

The Council's constitution clearly outlines the roles and responsibilities of the Executive (Leader, Cabinet Members, Cabinet bodies and Chief Officers), and how decisions are scrutinised by the Overview and Scrutiny Committee and its various Scrutiny Panels. Also included are the arrangements for 'Calling In' and executive decisions and Councillor Call for Action.

The Council's committee report writing guidelines outlines the necessity of having both financial and legal comments, and where applicable a risk assessment of the various decisions that members are being asked to make. Detailed guidelines also exist for the taking of key decisions by Chief Officers and individual decisions by Cabinet Members.

Overview and Scrutiny Committee receives referrals from Cabinet to scrutinise the use of exemptions to standing orders with regard to letting contracts and also waivers to standing orders. A report on all such items is examined closely by the Committee on a quarterly basis.

Managing Risks

The Council has an established and effective risk management framework, which includes, a Corporate Risk Management Strategy which was updated and approved by Cabinet in 2010, Strategic, Directorate, Service and Project/Partnership risks recorded on the Corporate risk database which allow for the identification, prioritisation, evaluation and treatment of risks against the Council's objectives, a Corporate Risk Management Group which ensure the implementation and embedding of risk management within the planning and decision making process, a clearly defined process for escalating and reporting, and monitoring of risks through Departmental Management Teams to the Greenwich Management Team and the Audit and Risk Management Panel. The Council wide IT system enables departments are able to update and manage their own risk information, which has further strengthened risk management.

In relation to insurable risks these are regularly reviewed, both by officers and by the Council's insurer, to ensure that the level of cover is appropriate and the Council achieves best value from the insurance cover it purchases or self insures.

All directorates and divisions have Emergency Planning and Business Continuity Management (BCM) Plans which are annually reviewed in line with the Council's Emergency Planning and Business Continuity Management Strategy.

A Greenwich Safety Management System (GSMS) is in place and is subject to regular review and communicated to staff. The Council's Health and Safety Policy Statement is reviewed every 2 years and approved by the Greenwich Management Team.

The risk management of these issues is very much 'joined up', for example both Emergency Planning and Business Continuity Management and Health and Safety are included within the Council's Strategic Risk Register

The Council also has an Internal Audit and Anti Fraud Service which, through its risk assessed and prioritised annual plans, ensures that the Council's significant risks are regularly reviewed and reported on both to senior management and members. There is a Counter Fraud and Corruption Policy which states the Council's commitment to protecting public monies.

Undertaking the core functions of an audit committee

The Council has an Audit and Risk Management Panel (which serves as an Audit Committee) whose main responsibilities are to receive the annual review of governance and internal control and be satisfied that it properly reflects the governance framework of the Council and any actions required to improve it. The ARM Panel receives a comprehensive suite of reports on governance issues including the annual plans and performance reports of Internal Audit and Anti Fraud. Summary audit reports are also presented to the panel to provide assurances that action is being taken where necessary to improve control.

In relation to risk management, the ARM panel receives regular reports on whether strategic risks are being actively managed. The Audit and Risk Management Panel is underpinned by an officer governance group responsible for financial governance matters.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

All Chief Officers are required to plan and discharge their departmental functions in accordance with Council policies and legislative requirements. Departmental Management Teams provide local leadership and operational management. Corporate leadership is provided by the Greenwich Management Team led by the Chief Executive.

The Chief Finance (s151) Officer, who within Greenwich is the Director of Finance, and the Monitoring Officer have the ability, after consulting with the Chief Executive, to report to Cabinet or full Council and the Council's external auditor, if he/she considers that any proposal, decision or course of action will involve incurring unlawfulness or unlawful expenditure. It is embedded within the Council's reporting system that all committee reports contain a financial implications paragraph which has been cleared by the s151 Officer or nominated representatives, and a legal implications paragraph which has been cleared by the Monitoring Officer or his nominated representatives.

Of particular importance are the Council's Financial Regulations, Procedures and Schemes of Delegation. These are kept under continuous review and are properly communicated to the relevant level of officer, assisting in ensuring that financial transactions are adequately controlled.

There is an information governance framework in place with the Greenwich Management Team having overall responsibility for the Council's IT Strategy. In addition there a suite of policies over Freedom of Information, Data Protection, CCTV and ICT which are regularly reviewed and monitored to ensure compliance.

Processes for whistle-blowing and for receiving and investigating complaints from the public

The Council has a Whistle Blowing policy which outlines how the Council will respond to any concerns raised. There is a formal complaints procedure which enables complaints to be raised about Councillors, Services and Staff, and these complaints are rigorously investigated and responded to.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Council identifies the training needs and provides a number of training sessions for members designed to prepare them for their strategic roles as Councillors. In addition the Council runs a comprehensive programme for all levels of staff particularly managers, aimed at developing and supporting them. There are also support networks including Corporate Senior Managers (senior officers), Heads of Service group and the 200+ Network (middle managers) which ensures that the latest developments within the Council, affecting how officers work and services are delivered, are communicated and cascaded.

Establishing clear channels of communication with all sections of the community and other stakeholders

One of the Council's values is *"listening to our communities and empowering local people"*. To deliver against this, the Council currently uses a variety of mechanisms for different purposes and for reaching different sections of the community. These include; Housing panels of tenants and councillors; Borough-wide housing and leaseholder panels; community safety panels; Sure Start management groups and parents forums; Borough Youth Council; Citizens panel; Service-specific consultation exercises, including satisfaction surveys; Questionnaires and focus groups; and community engagement events.

In relation to internal communications, this is carried out by the various officer networking groups, the intranet, staff newsletter (Talk Greenwich), a number of specialist or departmental staff newsletters, circulated Departmental Management Team minutes, section/staff meeting etc.

Incorporating good governance arrangements in respect of partnerships and other group working

The Council and the Greenwich Partnership has continued to keep its governance arrangements under review and the four key partnership boards, which underpin the strategic partnership (the Greenwich Partnership), are an effective forum for bringing private and public sector partners together.

As part of the Greenwich Partnership's self evaluation arrangements, a baseline report identified four areas for improved coordination of the Partnership's arrangements. These related to community engagement processes, the sharing of intelligence between partners, improving performance management (through the annual self-evaluation cycle) and improving governance.

The Greenwich Local Area Agreement (LAA) Board stopped meeting following the change in Government policy since last year's election. However, partners have agreed that there is merit in the Partnership Information and Intelligence Group to improve co-ordination and sharing of information and data between partners, and it has continued to meet. The future of the Partnership Engagement Implementation Group) is to be decided soon.

The expected outcome remains a coherent and accountable governance framework for partnership working at all levels – strategic, "executive" and operational – which is able to provide effective leadership and coordination to the delivery of the shared vision for the borough as set out in the Greenwich Strategy.

4. Review of effectiveness

Greenwich has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, i.e. the governance review group, the Head of Internal Audit's annual report, and by comments made by external auditors and other review agencies and inspectorates. Within the Council's governance framework, there are various levels of assurance that the governance review group have weighted in relation to priority of importance. First and foremost is the level of internal control exerted by the management of the Council.

Overall, the review of effectiveness concluded that the governance arrangements had been in place for the financial year ended 31st March 2011 and with the exception of the governance issues detailed in section 5, these arrangements were operating effectively and in accordance with good practice.

The review process has been performed by a governance review group of senior officers who reviewed evidence of how governance operated during the year and determined its effectiveness. The process included reviewing the;

- Council's constitution; arrangements for communicating with the citizens of Greenwich and other stakeholders;
- Performance management arrangements;
- Roles, responsibilities and training of the Members and Officers responsible for governance;
- Process for making financially and legally prudent risk assessed decisions;
- Internal control arrangements to ensure compliance with policies and procedures;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Governance control self assessments undertaken by Departmental Chief Officers;
- Head of Internal Audit report on the Council's internal control arrangements based on Audit's work programme during the year;
- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- Findings of agencies external to the Council on any work undertaken on the governance of the Council

Finally whilst the government assessment's focus has necessarily been upon 2010/11 it is considered necessary for this report to make due reference to the fast approaching 2012 Olympic Games, an event dependent upon a significant contribution from Greenwich Council. The Council's operational planning and governance arrangements are well advanced in anticipation of the effective delivery of the Games. Clearly these arrangements will be developed further as the summer of 2012 approaches. It will therefore be necessary for the 2011/12 governance assessment process to be suitably weighted towards this hugely significant event for the borough.

5. Significant governance issues

From this work the governance review group consider that the following areas need to be addressed during 2011/12

Governance Area	Governance Control Issue	Action Required	Responsible Officer
IT - Disaster Recovery	This issue was raised with the 2009/10 AGS, which explained that a rigorous review of Disaster Recovery policies and a review of related services across the entire estate of IT services were required taking account of the balance between risks and financial interests. Key critical business systems are hosted within IBM's Warwick facility which is of a very high level of specification that provides assurances against power loss, bomb attack, flooding and other natural disasters. While this facility does have the highest specification, it remains a single point of failure for all our business critical systems. Less critical business systems are hosted within other facilities. These also operate to a high specification. During 2010/2011, the ARM Panel received a report which highlighted these issues and Assistant Director's future actions.	A Business Impact Analysis of all IT Systems used by the Council should be undertaken, following the relocation of services to the new Woolwich Centre. Any plans to move business critical IT systems from IBM's Warwick facility should include a Disaster Recovery solution for all such systems. All relevant information management polices should be scheduled for review. An Information Governance Strategy Group has been set up recently which will begin this process. GMT are currently reviewing the way the Council's systems are hosted. Should the decision be taken to move to a new solution, this will incorporate Disaster Recovery requirements and review all relevant information management polices. In the business case for changing the current hosting solution, budget has been allocated specifically to address Disaster Recovery vulnerabilities in business critical systems.	Assistant Director - IT & eGovernment

Payroll	The annual governance assessment is informed by the work of the Head of Internal Audit and Anti Fraud (HIAAF), who reported his concerns in this area in 2009/10. Whilst the Director of Human Resources and Organisational Improvement reported certain improvements within payroll related services to the ARM Panel during 2010/2011, the HIAAF has reported that certain controls in relation to payroll related systems continue to require strengthening. Recent discussions between the HIAAF and the Director of Human Resources and Operational Improvement, have highlighted that issues are being progressed. Nevertheless, it is considered that the current position remains worthy of inclusion in this year's annual governance statement action plan.	ARM Members will continue to be kept informed of progress by the Head of HR Operations throughout the year. Improvements will be independently audited / assessed to establish whether any governance issues still exist.	Head of HR Operations

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor the implementation and operation as part of our next annual review.

Cllr Chris Roberts

Leader of the Council

Dated : 27 July 2011

Mary Ney

Chief Executive

Dated : 27 July 2011

Independent auditor's report to the Members of the London Borough of Greenwich

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of the London Borough of Greenwich for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Greenwich in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of the London Borough of Greenwich's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Greenwich in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, the London

Borough of Greenwich put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

The audit cannot be formally concluded and an audit certificate issued until my predecessor has completed his consideration of matters brought to his attention by local government electors in relation to financial statements for the years ended 31 March 2007, 31 March 2008 and 31 March 2009. I am satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2011.

Susan M. Exton
District Auditor

Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

28 July 2011

Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	**(19,505)**	**(175,779)**	**(1,971)**	**0**	**(9,949)**	**0**	**(27,577)**	**(234,781)**	**(1,231,211)**	**(1,465,992)**
Movement in reserves during 2009/10										
(Surplus) or deficit on the provision of services	3,617	0	15,694	0	0	0	0	**19,311**	0	**19,311**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	165,872	**165,872**
Total Comprehensive Income and Expenditure	**3,617**	**0**	**15,694**	**0**	**0**	**0**	**0**	**19,311**	**165,872**	**185,183**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(6,770)	0	(18,296)	0	(25,927)	0	(7,262)	**(58,255)**	58,255	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(3,153)**	**0**	**(2,602)**	**0**	**(25,927)**	**0**	**(7,262)**	**(38,944)**	**224,127**	**185,183**
Transfers to/from Earmarked Reserves (Note 8)	3,849	(3,849)	0	0	0	0	0	**0**	0	**0**
Increase/Decrease in 2009/10	**696**	**(3,849)**	**(2,602)**	**0**	**(25,927)**	**0**	**(7,262)**	**(38,944)**	**224,127**	**185,183**
Balance at 31 March 2010 carried forward	**(18,809)**	**(179,628)**	**(4,573)**	**0**	**(35,876)**	**0**	**(34,839)**	**(273,725)**	**(1,007,084)**	**(1,280,809)**
Movement in Reserves during 2010/2011										
(Surplus) or deficit on provision of services	(88,524)	0	393,652	0	0	0	0	**305,127**	0	**305,128**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(193,460)	**(193,460)**
Total Comprehensive Income and Expenditure	**(88,524)**	0	393,652	0	**0**	**0**	**0**	**305,127**	**(193,460)**	**111,668**
Adjustments between accounting basis & funding basis under regulations (Note 7)	71,404	0	(396,268)	0	25,159	0	12,672	**(287,033)**	287,033	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(17,120)**	**0**	**(2,616)**	**0**	**25,159**	**0**	**12,672**	**18,095**	**93,573**	**111,668**
Transfers to/from Earmarked Reserves (Note 8)	378	(378)	0	0	0	**0**	**0**	**0**	0	**0**
Increase/Decrease in Year	**(16,742)**	**(378)**	**(2,616)**	**0**	**25,159**	**0**	**12,672**	**18,095**	**93,573**	**111,668**
Balance at 31 March 2011 carried forward	**(35,551)**	**(180,006)**	**(7,189)**	**0**	**(10,717)**	**0**	**(22,167)**	**(255,630)**	**(913,511)**	**(1,169,141)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/2010 Gross Expenditure £000	2009/2010 Gross Income £000	2009/2010 Net Expenditure £000		2010/2011 Gross Expenditure £000	2010/2011 Gross Income £000	2010/2011 Net Expenditure £000
38,058	(27,322)	10,736	Central services to the public	28,233	(9,855)	18,378
109,749	(48,613)	61,136	Cultural, environmental, regulatory and planning services	129,270	(62,821)	66,449
385,928	(296,140)	89,787	Education and children's services	386,757	(307,723)	79,034
21,041	(5,950)	15,091	Highways and transport services	23,076	(6,407)	16,669
121,906	(129,791)	(7,884)	Local authority housing (HRA) *	478,854	(96,273)	382,581
140,705	(134,024)	6,681	Other housing services	146,524	(141,625)	4,899
113,746	(40,670)	73,076	Adult social care	116,287	(32,603)	83,684
7,061	0	7,061	Corporate and democratic core	6,710	0	6,710
29,217	0	29,217	Non distributed costs *	(90,433)	0	(90,433)
967,411	**(682,510)**	**284,901**	**Cost Of Services**	**1,225,278**	**(657,307)**	**567,971**
		(1,874)	Other Operating Expenditure (Note 9)			1,710
		46,234	Financing and Investment Income and Expenditure (Note 10)			41,687
		0	(Surplus) or Deficit of Discontinued Operations			0
		(309,950)	Taxation and Non-Specific Grant Income (Note 11)			(306,240)
		19,311	**(Surplus) or Deficit on Provision of Services**			**305,128**
		(95,444)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(6,370)
		0	(Surplus) or deficit on revaluation of available for sale financial assets			0
		261,316	Actuarial gains / losses on pension assets / liabilities			(187,090)
		165,872	**Other Comprehensive Income and Expenditure**			**(193,460)**
		185,183	**Total Comprehensive Income and Expenditure**			**111,668**

* Note 5 contains further information on material items included within these two lines of expenditure and income.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009	31 March 2010		Notes	31 March 2011
£000	£000			£000
2,021,758	2,084,069	Property, Plant & Equipment	12	1,752,074
10,217	7,935	Intangible Assets	14	4,945
0	0	Long Term Investments	15	900
1,501	1,466	Long Term Debtors	15	971
2,033,476	**2,093,470**	**Long Term Assets**		**1,758,890**
243,467	224,135	Short Term Investments	15	248,065
0	250	Assets Held for Sale	19	23,931
0	881	Landfill Allowance		592
1,354	605	Inventories	16	161
44,705	88,990	Short Term Debtors	17	68,553
34,371	34,829	Cash and Cash Equivalents	18	30,557
323,897	**349,690**	**Current Assets**		**371,859**
(2,901)	(416)	Cash and Cash Equivalents	18	(3,420)
(21,748)	(26,613)	Short Term Borrowing	15	(31,882)
(61,056)	(57,896)	Short Term Creditors	20	(73,205)
(3,904)	(4,514)	Receipts in Advance	36	(4,449)
(8,506)	(10,416)	Provisions		(9,237)
0	(161)	Defra Liability		(51)
(98,115)	**(100,016)**	**Current Liabilities**		**(122,244)**
(270,903)	(544,460)	Long Term Creditors	15	(280,977)
(8,134)	(6,909)	Provisions	21	(11,771)
(486,796)	(483,232)	Long Term Borrowing	15	(505,430)
(27,433)	(27,733)	Other Long Term Liabilities	15	(31,051)
0	0	Capital Grants Receipts in Advance	36	(10,134)
(793,266)	**(1,062,334)**	**Long Term Liabilities**		**(839,363)**
1,465,992	**1,280,810**	**Net Assets**		**1,169,142**
(234,781)	(273,725)	Usable Reserves	8 / 22	(255,630)
(1,231,211)	(1,007,085)	Unusable Reserves	23	(913,512)
(1,465,992)	**(1,280,810)**	**Total Reserves**		**(1,169,142)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/2010 £000		2010/2011 £000
(19,311)	Net surplus or (deficit) on the provision of services	(305,128)
41,354	Adjustments to net surplus or deficit on the provision of services for non cash movements	413,518
(3,886)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(46,969)
18,157	Net cash flows from Operating Activities (Note 24)	61,421
(8,649)	Investing Activities (Note 25)	(98,551)
(6,565)	Financing Activities (Note 26)	29,854
2,943	Net increase or decrease in cash and cash equivalents	(7,276)
31,470	Cash and cash equivalents at the beginning of the reporting period	34,413
34,413	**Cash and cash equivalents at the end of the reporting period (Note 18)**	**27,137**

Notes to the Accounts

1. Accounting Policies

General

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which requires the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to revenue for non-current assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue (the Minimum Revenue Provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits
Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the

Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

<u>Post Employment Benefits</u>
Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by Greenwich Council or the London Pension Fund Authority (LPFA).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

<u>The Local Government Pension Scheme</u>
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greenwich Council and LPFA pension funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond [iBoxx AA > 15 year Corporate Bond Index]).
- The assets of Greenwich Council and LPFA pension funds attributable to the Council are included in the Balance Sheet at their fair value:

    - for quoted securities – current bid price
    - for unquoted securities – professional estimate
    - for unitised securities – current bid price
    - for property – market value.

- The change in the net pensions liability is analysed into seven components:
    - current service cost (the increase in liabilities as a result of years of service earned this year) allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost (the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years) debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - interest cost (the expected increase in the present value of liabilities during the year as they move one year closer to being paid) debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets (the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return) credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains or losses on settlements and curtailments(the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - actuarial gains and losses(changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) debited to the Pensions Reserve
    - contributions paid to the LBG and LPFA Pension Funds (cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense).

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Guarantees

These will be assessed at fair value at their inception and will be kept under review.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original

effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation
Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions are shown as liabilities on the Balance Sheet until outstanding conditions are satisfied. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost and are carried thereafter at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in companies
The Council has material interests in three companies. The Council has classified these as subsidiaries and has, accordingly, prepared group accounts.

Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at cost.

Jointly controlled operations and jointly controlled assets
Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Primarily the Council has considered whether the lease transfers ownership of the asset by the end of the lease term or whether the lease term is for the major part of the economic life of the asset.

All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

<u>The Council as lessee</u>
<u>Finance Leases</u>
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value

of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets.

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Council.

<u>The Council as lessor</u>
<u>Finance Leases</u>
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The sale proceeds, representing the Council's net investment in the lease, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain or loss presented in the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase or decrease the General Fund Balance. The net investment in the lease is required to be treated as a capital receipt and the carrying value of the asset is posted to the Capital Adjustment Account. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales) or the General Fund where the lease was entered into on or before 31st March 2010.

The written-off value of disposals is not a charge against Council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/2011 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the useful life as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non - current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains

accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow, as represented by the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Although there is a high degree of uncertainty surrounding the future level of funding for local government, the Council has determined that this is not sufficient to warrant a specific impairment review (e.g. due to the closure of facilities), beyond the normal end of year review that is carried out.

Private Finance Initiative

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

The Council has one PFI scheme (the provision of three Neighbourhood Resource Centres). The Council has reviewed the nature of the arrangement and has determined that it controls the services that are provided under the contract, and, as ownership of the property, plant and equipment will pass to the Council at the end of the contract term for no additional charge, the Council carries the assets used under the contract on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

The assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operator each year is analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 4.25% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – these are charged against the unitary payment as incurred

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Statement of Accounts

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Statement of Accounts where it is probable that there will be an inflow of economic benefits or service potential.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Reserves
The Council sets aside reserves for earmarked purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

VAT
VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. First Time Adoption of IFRS

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the Code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010.

The following tables explain the differences between the amounts presented in the 2009/2010 Statement of Accounts and the equivalent amounts presented in the 2010/2011 Statement of Accounts.

<u>Reclassification of leases</u>
The Code requires authorities to review the classification of leases granted and taken to determine whether they should be treated as a finance lease or an operating lease. The Council has identified two further finance leases, one as lessor and one as lessee. This has resulted in the following changes being made to the 2009/2010 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Other Land and Buildings	648,809	(393)
Long term debtors	1,193	308
Long term liabilities	(18,614)	(1,685)
Capital Adjustment Account	(1,057,310)	2,078
Deferred Capital Receipts Reserve	(277)	(308)

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Other Land and Buildings	675,831	61
Capital Adjustment Account	(1,038,603)	(61)

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
CERPS	60,747	(246)
Financing and Investment I&E	46,073	185

<u>Government and non Government grants</u>

The Code requires authorities to immediately recognise grants and contributions in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Council has not satisfied. Previously grants and contributions were only recognised in the I&E Statement following their application in funding capital expenditure.

Where a condition has yet to be satisfied, the grant or contribution is held in Capital Grants Receipts in Advance. Where no conditions exist, the grant or contribution is held in the Capital Grants Unapplied Account. Following its application to fund capital expenditure the grant is transferred to the Capital Adjustment Account.

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Government Grants and other Capital Contributions Deferred	(193,548)	193,548
Capital Grants Receipts in Advance	(27,577)	27,577
Capital Adjustment Account	(1,057,310)	(193,548)
Capital Grants Unapplied Account	0	(27,577)

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Government Grants and other Capital Contributions Deferred	(225,395)	31,847
Capital Grants Receipts in Advance	(34,839)	7,261
Capital Adjustment Account	(1,038,603)	(31,847)
Capital Grants Unapplied Account	0	(7,261)

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
Central Services	11,351	33
CERPS	60,747	523
Education	86,204	3,402
Highways	13,553	1,527
HRA	(9,472)	1,047
Other Housing	5,305	1,191
Adults	72,154	492
Taxation and non specific grants	(262,627)	(47,323)

Investment Properties
The Code requires authorities to review their investment properties against a revised set of criteria and reclassify accordingly.

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Other land and buildings	648,809	22,575
Investment Properties	22,575	(22,575)

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Other land and buildings	675,831	(5,277)
Investment Properties	17,707	4,868
Surplus assets non-operational	28,454	(34)
Capital Adjustment Account	(1,038,603)	443

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
Central Services	11,351	40
HRA	(9,472)	403

<u>Assets Held for Sale</u>
The Code requires authorities to review their surplus assets to determine whether they fall under the new classification of Assets Held for Sale and reclassify accordingly.

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Surplus assets	0	22,113
Surplus assets non-operational	22,113	(22,113)

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Other land and buildings	675,831	(34)
Surplus assets	0	6,150
Assets Held for Sale	0	249
Surplus assets non-operational	28,454	(6,304)
Capital Adjustment Account	(1,038,603)	(61)

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
Central Services	11,351	(41)
HRA	(9,472)	(20)

<u>Employee benefits</u>
The Code requires authorities to account for any short term employee benefits that are outstanding at the Balance Sheet date and due to be settled within 12 months of the year end such as untaken annual leave and flexi time. The Code requires a provision to be made for such benefits that have accumulated but are untaken at the Balance Sheet date.

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Provision for Accumulated Absences	0	(8,506)
Accumulated Absences Account	0	8,506

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Provision for Accumulated Absences	0	(1,910)
Accumulated Absences Account	0	1,910

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
Central Services	11,351	61
CERPS	60,747	111
Education	86,204	1,344
Highways	13,553	11
HRA	(9,472)	158
Other Housing	5,305	185
Adults	72,154	40

<u>Revenue receipts in advance</u>
The Code requires that revenue grants should be recognised immediately in the I&E Statement other than where any grant conditions are still remaining to be met in which case they should be held as receipts in advance. The Council has reviewed all such grants and reclassified accordingly.

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Creditors	(66,136)	5,104
Receipts in Advance	0	(3,904)
Earmarked General Fund Reserves	(174,579)	(1,200)

31st March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments made £000
Creditors	(63,195)	220
Receipts in Advance	0	(610)
Earmarked General Fund Reserves	(178,818)	390

2009/2010 Comprehensive Income and Expenditure Statement
Cost of services (net)

	2009/2010 Statements £000	Adjustments made £000
Central Services	11,351	390

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) will introduce a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/2012 financial statements.

As set out above, full adoption of the standard will be required for the 2011/2012 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/2011) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/2012 financial statements.

The Council does not hold significant heritage assets and, therefore, anticipates that the adoption of FRS 30 will have minimal impact.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainty**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase

	discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	in the discount rate assumption would result in a decrease in the pension liability of £24.3m. However, the assumptions interact in complex ways. During 2010/2011, the Council's actuaries advised that the net pensions liability had decreased by £16.6m as a result of estimates being corrected as a result of experience and decreased by £167.5m attributable to updating of the assumptions.
Arrears	At 31st March 2011, the Council had a balance of sundry debtors for £28.5m. A review of significant balances suggested that an impairment of doubtful debts of 9% (£2.5m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.5m to be set aside as an allowance.

5. Material Items of Income and Expense

As a result of asset valuations undertaken during 2010/2011, a revaluation loss of £379m was charged to the HRA, in accordance with the Code, and presented within the Comprehensive I&E Statement (Local Authority Housing HRA). This loss is not a proper charge against the net movement in the year and is, therefore, transferred to the Capital Adjustment Account and reported as an adjustment within the Movement in Reserves Statement.

In 2010 the Government announced that in future the Pension Increase Orders would be linked to the CPI rather than RPI and this impacts on the increase applied to pensions in payment and the revaluation of pensions for deferred members. A credit entry of £100m is reflected within the Comprehensive I&E Statement (Non Distributed Costs), in accordance with the Code. This loss is not a proper charge against the net movement in the year and is, therefore, transferred to the Pensions Reserve and reported as an adjustment within the Movement in Reserves Statement.

6. Events after the Balance Sheet Date

There are no significant post balance sheet events to be disclosed.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/2011

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(15,943)	(35,726)	0	0	0	51,669
Revaluation losses on Property Plant and Equipment	(6,765)	(378,263)	0	0	0	385,028
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(3,039)	0	0	0	0	3,039
Capital grants and contributions applied	0	0	0	0	47,784	(47,784)
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(9,584)	0	0	0	0	9,584
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,598)	(2,384)	0	0	0	10,982
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	2,988	0	0	0	0	(2,988)
Capital expenditure charged against the General Fund and HRA balances	6,584	1,430	0	0	0	(8,014)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	35,112	0	0	0	(35,112)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,782	7,668	(11,450)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	36,480	0	0	(36,480)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(60)	60	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(530)	0	530	0	0	0
Transfer from Deferred Capital Receipts Reserve	0	0	(96)	0	0	96
Reserved Receipts	0	0	(365)	0	0	365
Adjustments involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

2010/2011

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	5,347	0	(5,347)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	5,347	0	(5,347)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	54	(502)	0	0	0	448
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	43,802	3,828	0	0	0	(47,630)
Employer's pensions contributions and direct payments to pensioners payable in the year	26,462	2,300	0	0	0	(28,762)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(4,007)	0	0	0	0	4,007
Adjustment involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustment involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,086	94	0	0	0	(1,180)
Total Adjustments	**71,404**	**(396,268)**	**25,159**	**0**	**12,672**	**287,033**

2009/10 comparative figures	**Usable Reserves**					
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(38,071)	(34,523)	0	0	0	72,594
Revaluation losses on Property Plant and Equipment	(6,453)	(22,044)	0	0	0	28,497
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(2,456)	(432)	0	0	0	2,888
Capital grants and contributions applied	7,168	1,047	0	0	0	(8,215)
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(6,144)	0	0	0	0	6,144
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(37,592)	(1,251)	0	0	0	38,843
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	3,021	0	0	0	0	(3,021)
Capital expenditure charged against the General Fund and HRA balances	7,962	1,325	0	0	0	(9,287)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	40,156	(1,047)	0	0	(39,109)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	31,847	(31,847)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	39,482	3,382	(42,864)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,349	0	0	(16,349)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(50)	0	50	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(142)	0	142	0	0	0
Balance of reserved receipts at year end	0	0	396	0	0	(396)
Transfer from Deferred Capital Receipts Reserve	0	0	0	0	0	0
Adjustments involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(85)	0	0	0	0	85

2009/10 comparative figures	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	37,047	0	(37,047)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	37,047	0	(37,047)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	393	(841)	0	0	0	448
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	(39,119)	(3,039)	0	0	0	42,158
Employer's pensions contributions and direct payments to pensioners payable in the year	27,677	2,238	0	0	0	(29,915)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(765)	0	0	0	0	765
Adjustment involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustment involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,752)	(158)	0	0	0	1,910
Total Adjustments	**(6,770)**	**(18,296)**	**(25,927)**	**0**	**(7,262)**	**58,255**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/2011.

	Balance at 1 April 2009	Transfers Out 2009/2010	Transfers In 2009/2010	Balance at 31 March 2010	Transfers Out 2010/2011	Transfers In 2010/2011	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
S106 Agreements	**(5,544)**	2,633	(892)	**(3,803)**	828	(2,490)	**(5,465)**
Children's Centres	**(1,858)**	0	(246)	**(2,104)**	0	0	**(2,104)**
Council Tax Equalisation	**0**	0	0	**0**	0	(4,691)	**(4,691)**
Dedicated Schools Grant	**(4,760)**	2,283	(3,295)	**(5,772)**	2,890	(5,881)	**(8,763)**
Early Loan Redemption	**(2,414)**	411	(67)	**(2,070)**	407	(59)	**(1,722)**
Financial Systems Replacement	**(2,178)**	2,156	(689)	**(711)**	618	(399)	**(492)**
General Reserves	**(17,044)**	817	(235)	**(16,462)**	16,462	0	**0**
Highways Adoption	**(3,592)**	322	(14)	**(3,284)**	320	(14)	**(2,978)**
Internal Insurance	**(11,512)**	120	(1,658)	**(13,050)**	1,182	(1,053)	**(12,921)**
Invest to Save	**(1,174)**	16	0	**(1,158)**	0	0	**(1,158)**
Investment Finance Fund	**(11,360)**	3,056	(6,800)	**(15,104)**	3,303	(3,385)	**(15,186)**
LPFA Pensions Deficit Funding	**(4,000)**	0	0	**(4,000)**	0	0	**(4,000)**
Modernisation and Corporate Investment Programme	**(7,979)**	3,566	(3,115)	**(7,528)**	2,965	(4,589)	**(9,152)**
Pay Protection \ Redundancy	**(9,977)**	3,149	(2,539)	**(9,367)**	6,823	(4,746)	**(7,290)**
PCT Partnership	**(5,699)**	1,176	(1,742)	**(6,265)**	1,733	(6,746)	**(11,278)**
Performance Reward Initiatives	**(2,166)**	1,868	(1,151)	**(1,449)**	277	0	**(1,172)**
Planned Maintenance of Schools	**(7,098)**	1,739	(3,365)	**(8,724)**	2,853	(3,875)	**(9,746)**
Risk Equalisation	**(6,802)**	0	0	**(6,802)**	0	0	**(6,802)**
Single Status Equalisation	**(10,845)**	0	0	**(10,845)**	0	0	**(10,845)**
Specific Grants and Appeal Fund	**(5,146)**	246	0	**(4,900)**	0	0	**(4,900)**
Sporting Olympic Legacy	**(11,522)**	2,340	0	**(9,182)**	2,355	(802)	**(7,629)**
Working Neighbourhoods Fund	**(4,355)**	0	(1,392)	**(5,747)**	0	(1,889)	**(7,636)**
Other	**(13,043)**	8,031	(6,207)	**(11,219)**	7,319	(5,542)	**(9,442)**
Sub-Total	**(150,068)**	**33,929**	**(33,407)**	**(149,546)**	**50,335**	**(46,161)**	**(145,372)**
Reserves held specifically for Capital Purposes							
Revenue Support for Capital Programme	**(22,490)**	8,031	(11,920)	**(26,379)**	6,614	(9,145)	**(28,910)**
Vehicle Leasing	**(3,220)**	1,260	(1,743)	**(3,703)**	589	(2,610)	**(5,724)**

	Balance at 1 April 2009	Transfers Out 2009/2010	Transfers In 2009/2010	Balance at 31 March 2010	Transfers Out 2010/2011	Transfers In 2010/2011	Balance at 31 March 2011
Sub-Total	(25,710)	9,291	(13,663)	**(30,082)**	7,203	(11,755)	**(34,634)**
Total	(175,778)	43,220	(47,070)	**(179,628)**	57,538	(57,916)	**(180,006)**

9. Other Operating Expenditure

2009/2010 £000		2010/2011 £000
1,870	Levies	1,591
142	Payments to the Government Housing Capital Receipts Pool	530
(3,886)	Gains/losses on the disposal of non current assets	(411)
(1,874)	Total	1,710

10. Financing and Investment Income and Expenditure

2009/2010 £000		2010/2011 £000
30,053	Interest payable and similar charges	28,136
20,137	Pensions interest cost and expected return on pensions assets	15,370
(3,372)	Interest receivable and similar income	(1,353)
(584)	Other investment income	(466)
46,234	**Total**	**41,687**

11. Taxation and Non Specific Grant Income

2009/2010 £000		2010/2011 £000
(77,864)	Council tax income	(74,530)
(132,501)	Non domestic rates	(145,636)
(52,262)	Non-ringfenced government grants	(50,963)
(47,323)	Capital grants and contributions	(35,111)
(309,950)	**Total**	**(306,240)**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2010/2011:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2010	1,261,180	707,011	9,819	115,298	2,643	38,159	28,936	**2,163,046**	17,075
Additions	57,958	19,135	1,720	14,025	3,134	0	37,899	**133,871**	0
Donations	0	0	0	0	0	0		**0**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(34,388)	(18,517)	0	0	0	389	(195)	**(52,711)**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(377,866)	(4,510)	0	0	0	0		**(382,376)**	0
Derecognition - Disposals	(2,116)	(312)	(153)	0	0	0		**(2,581)**	0
Derecognition - Other	0	0	0	(6,350)	(2,036)	0		**(8,386)**	0
Assets reclassified (to)/from Held for Sale	(161)	(11,907)	0	0	0	(16,000)		**(28,068)**	0
Other movements in Cost or Valuation	1,913	429	0	0	(44)	(2,414)	116	**0**	0
At 31 March 2011	**906,520**	**691,329**	**11,386**	**122,973**	**3,697**	**20,134**	**66,756**	**1,822,795**	**17,075**
Accumulated Depreciation and Impairment									
At 1 April 2010	32,015	14,249	4,285	18,523	11	9,896	0	**78,979**	185
Depreciation charge	14,302	9,758	1,991	1,887	11	3,720	0	**31,669**	277
Depreciation written out to the Revaluation Reserve	34,203	18,820	0	0	0	1,816	247	**55,086**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	11	0	0	0	0	**11**	0
Impairment losses/ (reversals) recognised in	712	0	0	0	0	35	0	**747**	0

the Revaluation Reserve									
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	19,910	0	0	0	0	104	0	**20,014**	0
Derecognition - Disposals	34	9	90	103	0	0	0	**236**	0
Derecognition - Other	0	0	0	0	0	0	0	**0**	0
Other movements in Depreciation and Impairment	617	(180)	0	0	0	(6,040)	247	**(5,356)**	0
At 31 March 2011	**33,319**	**4,998**	**6,175**	**20,307**	**22**	**5,899**	**0**	**70,720**	**462**
Net Book Value									
At 31 March 2011	**873,201**	**686,331**	**5,211**	**102,666**	**3,675**	**14,235**	**66,756**	**1,752,075**	**16,613**
At 31 March 2010	**1,229,165**	**692,762**	**5,534**	**96,775**	**2,632**	**28,263**	**28,936**	**2,084,067**	**16,890**

Comparative Movements in 2009/2010:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment[1]
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2009	1,246,063	701,293	8,667	101,827	3,000	32,064	11,434	**2,104,348**	19,724
Additions	52,919	25,244	1,312	12,144	1,251	0	17,668	**110,538**	0
Donations									
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,643)	18,561	0	1,327	0	24,085	0	**29,330**	(1,264)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(21,908)	(6,185)	0	0	(4)	(400)	0	**(28,497)**	(1,385)
Derecognition - Disposals	(1,251)	(11,879)	(160)	0	0	(39,230)	0	**(52,520)**	0
Derecognition - Other									
Assets reclassified	0	(19,988)	0	0	(1,604)	21,758	(166)	**0**	0
Assets reclassified (to)/from Held for Sale	0	(35)	0	0	0	(118)	0	**(153)**	0

Other movements in Cost or Valuation									
At 31 March 2010	**1,261,180**	**707,011**	**9,819**	**115,298**	**2,643**	**38,159**	**28,936**	**2,163,046**	**17,075**
Accumulated Depreciation and Impairment									
At 1 April 2009	22,842	30,300	2,576	16,812	110	9,951	0	**82,591**	1,264
Depreciation charge	19,339	14,442	1,811	1,723	11	22,314	0	**59,640**	185
Depreciation on assets reclassified	0	(3,004)	0	0	(99)	3,071	0	**(32)**	0
Depreciation written out to the Revaluation Reserve	22,843	27,204	0	12	11	12,518	0	**62,588**	1,264
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	93	97	0	0	505	0	**695**	0
Impairment losses/(reversals)recognised in the Revaluation Reserve	791	11	0	0	0	73	0	**875**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	11,906	127	0	0	0	96	0	**12,129**	0
Derecognition - Disposals	20	330	5	0	0	12,586	0	**12,941**	0
Derecognition - Other									
Other movements in Depreciation and Impairment									
At 31 March 2010	**32,015**	**14,249**	**4,285**	**18,523**	**11**	**9,896**	**0**	**78,979**	**185**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council dwellings – 40 years
- Other Land and Buildings – 40 years
- Vehicles, Plant, Furniture and Equipment – 1-6 years
- Infrastructure – 40 years

Capital Commitments

At 31st March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011-2012 and future years budgeted to cost £103.5m. Similar commitments at 31st March 2010 were £123.9m. The major commitments are:

- The Woolwich Centre - £6.7m
- Woolwich Squares - £1.9m
- Cutty Sark Gardens - £2.7m

- Housing Revenue Account projects - £31.7m
- Building Schools for the Future - £54.3m
- Transport projects - £2.4m

Effects of Changes in Estimates
In 2010-2011 the Council made one material change in its accounting estimates for Property, Plant and Equipment:

During the revaluation of the Council's Property, Plant and Equipment, a critical review was undertaken of useful lives. As a result the depreciation charge for 2010/2011 was £3.4m lower than it would have been if the useful lives assessed in 2009/2010 had been used for the calculations. The impact of this change will carry forward into 2011/2012 and future years.

Non Current Assets – Schools
The Council has reviewed its treatment of schools non-current assets. There is no change to the treatment applied to such assets in 2009/2010 whereby no Voluntary Aided schools are held in the Council's Balance Sheet. The Council is progressing the establishment of a Foundation school at Eltham Green, however, the transfer of the site had not taken place as at 31st March 2011.

Revaluations
The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been had to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

In light of the introduction of IFRS, the Council has accelerated its programme of revaluations, as indicated in the table below:

	Council Dwellings	**Other Land and Buildings**	**Vehicles, Plant, furniture & Equipment**	**Surplus Assets**	**Total Property, Plant and Equipment**
Carried at historic cost	0	172,531	1,830	0	174,361
Valued at fair value as at:					
31 March 2011	873,362	555,397	3,353	3,988	1,436,100
31 March 2010	0	131,500	0	10,247	141,747
31 March 2009	0	0	17	0	17
31 March 2008	0	0	0	0	0
31 March 2007	0	0	11	0	11
Total Net Book Total	**873,362**	**859,428**	**5,211**	**14,235**	**1,752,236**

13. Investment Properties

The Council has no Investment Properties.

14. Intangible Assets

The Council accounts for IT licence and development costs as intangible assets. No intangible assets are internally generated. The carrying amount of intangible assets is amortised on a straight line basis, based on estimated useful lives of 5 years. The amortisation of £3.039m charged to revenue in 2010/2011 was charged to the relevant service area based on estimated usage.

The movement on intangibles during the year was:

	2010/2011 £000	2009/2010 £000
Balance at start of year:		
• Gross carrying amounts	15,994	15.389
• Accumulated amortisation	(8,060)	(5.172)
Net carrying amount at start of year	**7,934**	**10,217**
Additions:		
• Purchases	50	605
Amortisation for the period	(3,039)	(2,888)
Other changes	0	0
Net carrying amount at end of year	**4,945**	**7,934**
Comprising:		
• Gross carrying amounts	16,044	15,994
• Accumulated amortisation	(11,099)	(8,060)
	4,945	**7,934**

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term		Short Term	
	2010/2011 £000	2009/2010 £000	2010/2011 £000	2009/2010 £000
Investments				
Loans and Receivables	900	0	168,314	224,135
Available for Sale Financial Assets	0	0	79,751	0
Total Investments	**900**	**0**	**248,065**	**224,135**
Debtors*				
Loans and Receivables	971	1,466	67,320	87,621
Total Debtors	**971**	**1,466**	**67,320**	**87,621**
Cash at Bank / In Hand			**30,557**	**34,829**

	Long Term		Short Term	
Cash Overdrawn			**(3,420)**	**(416)**
Borrowings				
Financial Liabilities at amortised cost	(505,430)	(483,232)	(31,882)	(26,613)
Total Borrowings	**(505,430)**	**(483,232)**	**(31,882)**	**(26,613)**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(31,051)	(27,733)		
Total Other Long Term Liabilities	**(31,051)**	**(27,733)**		
Creditors*				
Financial Liabilities at amortised cost	0	0	(73,205)	(57,896)
Total Creditors	**0**	**0**	**(73,205)**	**(57,896)**

* The figure for creditors includes prepaid income. The figure for debtors (net of bad debts provision) excludes prepayments of £1.233m (2009/2010 £1.369m).

Unusual Movements

Treasury Bills and Gilts, classified as "Available for Sale", were utilised for the first time in 2010/2011. Those securities with a final maturity date of less than 100 days from the point of acquisition are classified as "Cash and Cash Equivalents" within the Balance Sheet.

Income, Expense, Gains and Losses

£000	**2010/2011**			**2011/2012**		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale
Interest Expense	(30,053)			(28,136)		
Total Expense in Surplus or Deficit on the Provision of Services	**(30,053)**			**(28,136)**		
Interest Income		3,372			1,353	
Total Income in Surplus or Deficit on the Provision of Services		**3,372**			**1,353**	
Gains on Revaluation						1
Losses on Revaluation						(1)
Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure						**0**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- based on rates for equivalent loans at that date (premature redemption rates for PWLB)
- no impairment is recognised
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	(568,363)	(626,932)	(537,578)	(587,102)
Creditors	(73,205)	(73,205)	(57,896)	(57,896)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables	169,214	169,168	224,125	224,122
Available for Sale	79,751	79,750	0	0
Short Term Debtors	67,320	67,320	87,621	87,621
Long Term Debtors	971	971	1,466	1,466

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss

(based on economic conditions at 31st March 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Soft Loans

The Council has not granted any soft loans. The Council has been granted interest free loans with an outstanding balance of £0.304m at the balance sheet date, by Salix, an independent social enterprise, not for profit organisation in relation to energy conservation works carried out by the Council. The Council has deemed this amount de minimis and will account for it on a cash basis, rather than at the equivalent interest rate basis.

16. Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**113**	**785**	**0**	**0**	**492**	**569**	**0**	**0**	**605**	**1,354**
Purchases	81	1,631	0	0	35	59	0	0	116	1,690
Recognised as an expense in the year	(58)	(2,296)	0	0	(497)	(136)	0	0	(555)	(2,432)
Written off balances	(5)	(7)	0	0	0	0	0	0	(5)	(7)
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0
Balance outstanding at year-end	**131**	**113**	**0**	**0**	**30**	**492**	**0**	**0**	**161**	**605**

17. Short –Term Debtors

31 March 2010 £000		31 March 2011 £000
25,785	Central government bodies	29,735
7,039	Other local authorities	4,840
2,488	NHS bodies	2,123
53,678	Other entities and individuals	31,855
88,990	**Total**	**68,553**

Debtors are shown net of bad debts provision of £22.261m at 31st March 2011 and £24.005m at 31st March 2010.

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
34,829	Cash and bank balances	10,569
0	Cash equivalent	19,988
(416)	Bank overdraft	(3,420)
34,413	**Total Cash and Cash Equivalents**	**27,137**

19. Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Balance outstanding at start of year	**251**	**0**	**0**	**0**
Assets newly classified as held for sale:				
• Property, Plant and Equipment	28,068	153	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	(5,351)	0	0	0
Revaluation gains	214	98	0	0
Additions	1,000	0	0	0
Assets declassified as held for sale:				
• Property, Plant and Equipment	0	0	0	0
• Intangible Assets	0	0	0	0
• Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(251)	0	0	0
Transfers from non current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year-end	**23,931**	**251**	**0**	**0**

20. Short-Term Creditors

31 March 2010 £000		31 March 2011 £000
(11,754)	Central government bodies	(13,149)
(2,753)	Other local authorities	(3,406)
(1,596)	NHS bodies	(761)
(41,793)	Other entities and individuals	(55,889)
(57,896)	**Total**	**(73,205)**

21. Provisions

	Insurance Provision £000	Redundancy Provision £000	Total £000
Balance at 1 April 2010	**(6,909)**	**0**	**(6,909)**
Additional provisions made in 2010/2011	(518)	(4,344)	**(4,862)**
Balance at 31 March 2011	**(7,427)**	**(4,344)**	**(11,771)**

Insurance

The Council's internal insurance service account is credited with premium payments and debited with the costs of meeting claims. This account makes contributions to the provision set aside to cover liabilities that are certain to occur. The expected timing of any resulting transfer of economic benefit is impossible to state clearly and is dependent on the claims settlement process and ultimately the decision of the Courts. No assumptions have been made in respect of future events and no reimbursement is expected.

The Council's internal insurance account covers a wide range of risks. Examples of the type of risks covered include those relating to public liability, employer's liability, vehicles and fire.

Redundancy

The Council has a provision of £4.3m in respect of employees whose contracts were terminated on the 31st March (thereby relating to a probable future transfer of economic benefits) and in respect of several reorganisations that were in progress at the balance sheet date.

22. Usable Reserves

Capital Grants Unapplied

These are capital grants that are available to finance new capital expenditure but have yet to be applied for that purpose.

2009/2010 £000		2010/2011 £'000
(27,577)	**Balance at 1 April**	**(34,839)**
(47,324)	Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure statement	(35,521)
40,062	Application of grants to capital financing transferred to the Capital Adjustment Account	47,784
	Transferred to other accounts	409
(34,839)	**Balance at 31 March**	**(22,167)**

Capital Receipts Reserve

These are usable capital receipts that are available for financing new capital expenditure

2009/2010 £000		2010/2011 £'000
(9,949)	**Balance at 1 April**	**(35,876)**
(42,352)	Cash sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure statement	(11,271)
16,349	Use of receipts to finance new capital expenditure	36,480
50	Contribution towards administrative costs of disposals	60

(26)	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(28)
52	Prior year adjustment	(83)
(35,876)	**Balance at 31 March**	**(10,718)**

23. Unusable Reserves

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(253,418)	(286,509)	Revaluation Reserve	(288,181)
0	0	Available for Sale Financial Instruments Reserve	0
(1,249,526)	(1,269,074)	Capital Adjustment Account	(913,716)
(260)	188	Financial Instruments Adjustment Account	636
(585)	(500)	Deferred Capital Receipts Reserve	(406)
270,903	544,460	Pensions Reserve	280,977
(6,831)	(6,065)	Collection Fund Adjustment Account	(2,058)
8,506	10,416	Accumulated Absences Account	9,237
(1,231,211)	**(1,007,084)**	**Total Unusable Reserves**	**(913,511)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the

Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/2010 £000		2010/2011 £000	
(253,418)	**Balance at 1 April**		**(286,509)**
(140,090)	Upward revaluation of assets	(29,167)	
(3,396)	Newly recognised assets	(1,872)	
56,241	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	24,669	
(87,245)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(6,370)
25,464	Difference between fair value depreciation and historical cost depreciation	3,722	
28,690	Accumulated gains on assets sold or scrapped	976	
54,154	Amount written off to the Capital Adjustment Account		4,698
(286,509)	**Balance at 31 March**		**(288,181)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/2010 £000		2010/2011 £000	
0	**Balance at 1 April**		**0**
0	Upward revaluation of investments	(1)	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1	
0			0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		0
0	**Balance at 31 March**		**0**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1

April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/2010 £000		2010/2011 £000	
(1,249,526)	**Balance at 1 April**		**(1,269,074)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
47,233	• Charges for depreciation and impairment of non current assets	47,947	
20,247	• Revaluation losses on Property, Plant and Equipment	385,029	
2,888	• Amortisation of intangible assets	3,040	
6,144	• Revenue expenditure funded from capital under statute	9,584	

38,842	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,981	
115,354		456,581	
(28,690)	Adjusting amounts written out of the Revaluation Reserve	(976)	
86,664	Net written out amount of the cost of non current assets consumed in the year		**455,605**
	Capital financing applied in the year:		
(16,349)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(36,480)	
(37,047)	• Use of the Major Repairs Reserve to finance new capital expenditure	(5,347)	
(33,045)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(23,246)	
(7,017)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(24,538)	
(3,071)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,988)	
(9,287)	• Capital expenditure charged against the General Fund and HRA balances	(8,014)	
(396)	Reserved capital receipts	366	
(106,212)			**(100,247)**
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
(1,269,074)	**Balance at 31 March**		**(913,716)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31st March 2011 will be charged to the General Fund until extinguished in 2031/2032.

2009/2010 £000		2010/2011 £000	
(260)	**Balance at 1 April**		**188**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
448	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	448	448
448	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		448
188	**Balance at 31 March**		**636**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/2010 £000		2010/2011 £000
270,903	**Balance at 1 April**	**544,460**
261,316	Actuarial gains or losses on pensions assets and liabilities	(187,090)
42,158	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(47,631)
(29,917)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,762)
544,460	**Balance at 31 March**	**280,977**

Deferred Capital Receipts Reserve (England and Wales)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/2010 £000		2010/2011 £000
(585)	**Balance at 1 April**	**(500)**
85	Transfer to the Capital Receipts Reserve upon receipt of cash	94
(500)	**Balance at 31 March**	**(406)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/2010 £000		2010/2011 £000
(6,831)	**Balance at 1 April**	**(6,065)**
765	Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	4,007
(6,065)	**Balance at 31 March**	**(2,058)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/2010 £000		2010/2011 £000	
8,506	**Balance at 1 April**		**10,416**
(8,506)	Settlement or cancellation of accrual made at the end of the preceding year	(10,416)	
10,416	Amounts accrued at the end of the current year	9,237	
1,910	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,179)
10,416	**Balance at 31 March**		**9,237**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/2011 £000
9,287	Interest received	1,276
(29,529)	Interest paid	(27,384)
0	Dividends received	0

25. Cash Flow Statement – Investing Activities

2009/2010 £000		2010/2011 £000
(106,661)	Purchase of property, plant and equipment, investment property and intangible assets	(131,721)
(7,095,164)	Purchase of short-term and long-term investments	(7,298,480)
0	Other payments for investing activities	0
42,814	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,542
7,108,506	Proceeds from short-term and long-term investments	7,273,727
41,856	Other receipts from investing activities	46,381
(8,649)	**Net cash flows from investing activities**	**(98,551)**

26. Cash Flow Statement – Financing Activities

2009/2010 £000		2010/2011 £000
20,014	Cash receipts of short- and long-term borrowing	50,337
0	Other receipts from financing activities	3,448
(276)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(308)
(19,000)	Repayments of short- and long-term borrowing	(23,623)
(7,303)	Other payments for financing activities	0
(6,565)	**Net cash flows from financing activities**	**29,854**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/2011	Adults & Older People	Chief Executive's Dept	Culture & Community	Children's Services	Regeneration & Skills	Housing Revenue Accounts	Housing General Fund	Community Safety	Total £000
Fees, charges & other service income	(41,469)	(86,156)	(12,935)	(287,556)	(42,128)	(99,777)	(34,297)	(38,871)	**(643,189)**
Government grants	(17,593)	(165,172)	(170)	(256,748)	(16,400)	(7,159)	(502)	(597)	**(464,341)**
Total Income	**(59,062)**	**(251,328)**	**(13,105)**	**(544,304)**	**(58,528)**	**(106,936)**	**(34,799)**	**(39,468)**	**(1,107,530)**
Employee expenses	27,536	40,507	11,280	229,533	15,059	18,412	15,575	31,188	**389,090**
Other service expenses	99,426	228,511	20,049	376,986	51,420	79,105	18,972	29,609	**904,078**
Support service recharges	4,693	14,697	2,643	11,725	9,773	6,802	1,994	4,739	**57,066**
Total Expenditure	**131,655**	**283,715**	**33,972**	**618,244**	**76,252**	**104,319**	**36,541**	65,536	**1,350,234**
Net Expenditure	**72,593**	**32,387**	**20,867**	**73,940**	**17,724**	**(2,617)**	**1,742**	**26,068**	**242,704**

Income and Expenditure 2009/2010	Adults & Older People	Chief Executive's Dept	Culture & Community	Children's Services	Regeneration & Skills	Housing Revenue Accounts	Housing General Fund	Total £000
Fees, charges & other service income	(37,372)	(98,687)	(36,536)	(279,659)	(40,479)	(118,568)	(59,958)	**(671,259)**
Government grants	(23,550)	(158,212)	(321)	(247,018)	(10,688)	(38,561)	(3,363)	**(481,713)**
Total Income	**(60,922)**	**(256,899)**	**(36,857)**	**(526,677)**	**(51,167)**	**(157,129)**	**(63,321)**	**(1,152,972)**
Employee expenses	27,519	51,411	24,675	235,131	18,161	19,190	36,863	**412,950**
Other service expenses	97,909	220,883	29,930	357,696	44,782	127,893	43,060	**922,153**
Support service recharges	4,944	17,581	4,236	13,036	5,075	7,444	4,665	**56,981**
Total Expenditure	**130,372**	**289,875**	**58,841**	**605,863**	**68,018**	**154,527**	**84,588**	**1,392,084**
Net Expenditure	**69,450**	**32,976**	**21,984**	**79,186**	**16,851**	**(2,602)**	**21,267**	**239,112**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/2010 £000		2010/2011 £000
239,112	Net expenditure in the [Directorate] Analysis	242,704
0	Net expenditure of services and support services not included in the Analysis	0
55,375	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	339,475
(9,586)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(14,208)
284,901	**Cost of Services in Comprehensive Income and Expenditure Statement**	**567,971**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/2011	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(641,836)	0	0	65,401	351,999	**(224,436)**	0	**(224,436)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(1,353)	0	0	1,353	0	**0**	(1,820)	**(1,820)**
Income from Council tax		0	0	0		**0**	0	**0**
Government grants and contributions	(464,341)	0	0	29,815	1,655	**(432,871)**	(306,240)	**(739,111)**
Total Income	**(1,107,530)**	**0**	**0**	**96,569**	**353,654**	**(657,307)**	**(308,060)**	**(965,367)**
Employee expenses	389,090	0	(93,499)	(13,019)	(85,390)	**197,182**	15,371	**212,553**
Other service expenses	874,351	0	(6,765)	(68,479)	(211,198)	**587,909**	0	**587,909**
Support Service recharges	57,066	0		0	(57,066)	**0**	0	**0**
Depreciation, amortisation, impairment and Revaluations	0	0	439,739	448	0	**440,187**	0	**440,187**
Interest Payments	28,136	0	0	(28,136)	0	**0**	28,136	**28,136**
Precepts & Levies	1,591	0	0	(1,591)	0	**0**	1,591	**1,591**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	530	**530**
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	**0**	(411)	**(411)**
Total expenditure	**1,350,234**	**0**	**339,475**	**(110,777)**	**(353,654)**	**1,225,278**	**45,217**	**1,270,495**
Surplus or deficit on the provision of services	**242,704**	**0**	**339,475**	**(14,208)**	**0**	**567,971**	**(262,843)**	**305,128**

2009/2010 Comparatives	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(667,130)	0	0	69,978	374,676	**(222,476)**	(1,022)	**(223,498)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(4,128)	0	0	4,128	0	**0**	(3,372)	**(3,372)**
Income from Council tax	0	0	0	0	0	**0**	0	**0**
Government grants and contributions	(481,713)	0	0	21,679	0	**(460,034)**	(309,950)	**(769,984)**
Total Income	**(1,152,971)**	**0**	**0**	**95,785**	**374,676**	**(682,510)**	**(314,344)**	**(996,854)**
Employee expenses	412,950	0	(5,425)	(34,570)	(109,797)	**263,158**	20,137	**283,295**
Other service expenses	891,343	0	(6,852)	(40,823)	(207,898)	**635,770**	0	**635,770**

Support Service recharges	56,981	0	0	0	(56,981)	**0**	0	**0**
Depreciation, amortisation and impairment	0	0	67,652	831	0	**68,483**	0	**68,483**
Interest Payments	30,809	0	0	(30,809)	0	**0**	30,052	**30,052**
Precepts & Levies	0	0	0	0	0	**0**	1,870	**1,870**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	142	**142**
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	**0**	(3,447)	**(3,447)**
Total expenditure	**1,392,083**	**0**	**55,375**	**(105,371)**	**(374,676)**	**967,411**	**48,754**	**1,016,165**
Surplus or deficit on the provision of services	**239,112**	**0**	**55,375**	**(9,586)**	**0**	**284,901**	**(265,590)**	**19,311**

28. Trading Operations

Buildings Services forms part of the Council's Housing Department and primarily provides a building maintenance service.

The Council provides pitches for stall holders in the borough's indoor and outdoor markets. The service is administered by the Community Safety and Environment Department.

	2010/2011 £000	2009/2010 £000
Building Services:		
Turnover	(29,993)	(32,028)
Expenditure	29,057	31,297
(Surplus) / Deficit	**(936)**	**(731)**
Markets:		
Turnover	(356)	(377)
Expenditure	520	524
(Surplus) / Deficit	**164**	**147**

Trading Operations are incorporated in the Comprehensive Income and Expenditure Statement with the net surplus or deficit being shown in the Financing and Investment Income and Expenditure note (Note 10). The figure in the Comprehensive Income and Expenditure Statement also reflects the accounting adjustments for IAS19.

29. Agency Services

The Council carries out certain work on an agency basis for which it is fully or partially reimbursed. The principal areas of agency work are:

<u>The London Boroughs of Tower Hamlets and Newham</u>

As joint owner of Greenwich and Woolwich Foot Tunnels with the London Boroughs of Tower Hamlets and Newham, the Council carries out all maintenance works on an agency basis, with 50% of the expenditure reimbursed. Total expenditure in 2010/2011 was:

	2010/2011 £	2009/2010 £
Greenwich Foot Tunnel	470,577	379,494
Woolwich Foot Tunnel	415,248	356,855

30. Trust Funds

The Council administers the Charities Holding Account on behalf of a number of trustees. Monies held on behalf of relatives of residents of Council run homes to be spent on enhancing the care given.

(£000s)	Balance as at 1 April 2010	Income	Expenditure	Balance as at 31 March 2011
Charities Holding Account	49	3	2	50
Total	**49**	**3**	**2**	**50**

The Council is also sole trustee to the following Trust Funds:

(£000s)	Balance as at 1 April 2010	Income	Expenditure	Balance as at 31 March 2011
Cemeteries Perpetuity Fund	34	0	0	34
Education Trust Funds	52	2	3	51
Margaret McMillan Field Study Centre	2,940	0	0	2,940
Total	**3,026**	**2**	**3**	**3,025**

Cemeteries Perpetuity Fund

Fund held in order to contribute towards the maintenance of graves in perpetuity.

Education Trust Funds

Legacies left to provide achievement towards at school prize giving, left to specific schools for specific awards.

Margaret McMillan Field Centre

The role of the Margaret McMillan Trust and Centre is to support children from deprived inner city areas in having the opportunity to visit a wide variety of countryside based centres, and to support projects that provide for their needs. The Trust supports young people from inner city areas, including parts of Greenwich and Deptford where Margaret McMillan worked.

The value of investments are disclosed at cost, less any provision required for loss in value.

The Fund Balances are invested in gilt-edged and equity securities and interest earning internal balances of the Council with the exception of the Margaret McMillan Field Study Centre. These balances are invested in non current assets or held on bank deposit.

31. Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), a partnership arrangement exists between the Council and Oxleas National Health Service Trust in respect of mental health. The pooled budgets meet the cost of providing all services for people from this client group.

Greenwich Integrated Mental Health Service 2010/2011	**2010/2011 £000**	**2009/2010 £000**
Funding provided to the pooled budget		
the Council	3,782	4,166
the Trust	23,727	24,973
	27,509	**29,139**
Expenditure met from the pooled budget		
the Council	3,782	4,166
the Trust	23,225	24,591
	27,007	**28,757**
Net surplus arising on the pooled budget during the year	**502**	**382**

32. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2010/2011 £	**2009/2010 £**
Salaries	0	0
Allowances	942,263	942,599
Expenses	0	0
Total	**942,263**	**942,599**

33. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was

Remuneration Band	2010/2011 No of Employees* Total	2010/2011 No of Employees* Redundancies	2009/2010 No. of Employees* Total
£50,000 - £54,999	260	6	262
£55,000 - £59,999	153	0	118
£60,000 - £64,999	61	8	68
£65,000 - £69,999	65	5	67
£70,000 - £74,999	43	2	30
£75,000 - £79,999	24	4	20
£80,000 - £84,999	11	1	12
£85,000 - £89,999	19	1	16
£90,000 - £94,999	8	1	4
£95,000 - £99,999	10	2	14
£100,000 - £104,999	3	0	6
£105,000 - £109,999	5	1	1
£110,000 - £114,999	1	0	0
£115,000 - £119,999	3	0	5
£120,000 - £124,999	2	1	2
£125,000 - £129,999	4	0	2
£130,000 - £134,999	0	0	2
£135,000 - £139,999	1	0	1
£140,000 - £144,999	1	0	1
£145,000 - £149,999	1	0	0
£150,000 - £154,999	3	0	2
£155,000 - £159,999	0	0	0
£160,000 - £164,999	0	0	0
£165,000 - £169,999	0	0	1
£170,000 - £174,999	1	0	0
£175,000 - £179,999	0	0	0
£180,000 - £184,999	0	0	0
£185,000 - £189,999	1	0	1

* The financial year 2009/2010 Number of Employees column includes the identified redundancies

The five individuals with remuneration at £150,000 or greater, are detailed further below.

Disclosure of Remuneration for Senior Employees 2010/2011 (Salary is £150,000 or more per year)

Post Title	Last Name	Salary (Including fees & Allowances)	Total Remuneration excl Ers Pension Contributions 2010/2011	Employers Pension Contributions	Total Remuneration incl Ers Pension Contributions 2010/2011
		£	£	£	£
Chief Executive	M Ney	189,666.61	189,666.61	35,150.04	224,816.65
Deputy Chief Executive	C Perry	170,000.04	170,000.04	31,449.96	201,450.00
Head Teacher	M Murphy	154,368.12	154,368.12	21,765.90	176,134.02
Director of Regeneration, Enterprise & Skills	J Comber	154,166.70	154,166.70	28,520.81	182,687.51
Director of Children's Services	G Palmer	150,000.00	150,000.00	27,750.00	177,750.00
		818,201.47	**818,201.47**	**144,636.71**	**962,838.18**

Disclosure of Remuneration for Senior Employees 2009/2010 (Salary is £150,000 or more per year)

Post Title	Last Name	Salary (Including fees & Allowances)	Total Remuneration excl Ers Pension Contributions 2009/2010	Employers Pension Contributions	Total Remuneration incl Ers Pension Contributions 2009/2010
		£	£	£	£
Chief Executive	M Ney	189,999.96	189,999.96	35,150.04	225,150.00
Deputy Chief Executive	C Perry	166,144.08	166,144.08	30,825.59	196,969.67
Head Teacher	M Murphy	150,291.97	150,291.97	21,191.15	171,483.12
Director of Children's Services	G Palmer	150,000.00	150,000.00	27,750.00	177,750.00
		656,436.01	**656,436.01**	**114,916.78**	**771,352.79**

Disclosure of Remuneration for Senior Employees 2010/2011 (Salary is less than £150,000 but equal to or more than £50,000 per year)

Post Title	Note	Salary Including fees & Allowances)	Total Remuneration excl Ers Pension Contributions 2010/2011	Employers Pension Contributions	Total Remuneration incl Ers Pension Contributions 2009/2010
		£	£	£	£
Director of Finance		144,999.96	144,999.96	26,825.04	171,825.00
Director of Culture and Community		125,066.71	125,066.71	23,124.96	148,191.67
Director of Adults and Older People Services		125,000.04	125,000.04	23,124.96	148,125.00
Director of HR & Organisational Improvement		125,000.04	125,000.04	23,124.96	148,125.00
Director of Community Safety & Environment		116,868.29	116,868.29	21,620.66	138,488.95
Head of Law & Governance		116,000.04	116,000.04	21,459.96	137,460.00
Director of Housing	1				
		752,935.08	**752,935.08**	**139,280.54**	**892,215.62**

Note 1: This post is currently filled by an interim officer not directly employed by the Council. Permanent encumbent starts May 2011 with a base salary of £125,000.

Disclosure of Remuneration for Senior Employees 2009/2010 (Salary is less than £150,000 but equal to or more than £50,000 per year)

Post Title	Note	Salary Including fees & Allowances)	Total Remuneration excl Ers Pension Contributions 2009/2010	Employers Pension Contributions	Total Remuneration incl Ers Pension Contributions 2009/2010
		£	£	£	£
Director of Regeneration, Enterprise & Skills		144,999.96	144,999.96	26,825.04	171,825.00
Director of Finance		138,475.05	138,475.05	25,617.86	164,092.91
		125,000.04	125,000.04	23,124.96	148,125.00
Director of Adults and Older					

People Services

Director of Culture and Community		125,000.04	125,000.04	23,124.96	148,125.00
Director of HR & Organisational Improvement		124,969.54	124,969.54	23,124.96	148,094.50
Head of Law & Governance		116,000.04	116,000.04	21,459.96	137,460.00
Director of Neighbourhood Services	1	60,763.91	60,763.91	11,241.30	72,005.21
		835,208.58	**835,208.58**	**154,519.04**	**989,727.62**

Note 1 – Director of Neighbourhood Services resigned on 30/09/09, annualised salary was £125,000. This post is currently filled by an interim officer not directly employed by the Council.

34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010/2011 £000	2009/2010 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	437	443
Fees payable to external auditors in respect of statutory inspections	0	20
Fees payable to external auditors for the certification of grant claims and returns for the year	105	112
Fees payable in respect of other services provided by external auditors during the year	62	91
Total	**604**	**666**

35. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008 and the School Finance (England) (Amendment) Regulations 2010. The Schools Budget includes elements for a range of educational services provided on an Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/2011 are as follows:

£000s	Central Expenditure	Individual Schools Budget	Total
Final DSG for 2010/2011			188,195
Brought Forward from 2009/2010			5,076
Carry Forward to 2010/2011 agreed in advance			0
Agreed budgeted distribution in 2010/2011	36,724	156,547	193,271
Actual central expenditure	26,623		
Actual ISB deployed to schools		157,885	
Local Authority Contribution for 2010/2011	0	0	0
Carry Forward to 2010/2011	10,101	(1,338)	8,763

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011.

	2010/2011 £000	2009/2010 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Grant	(74,530)	(77,864)
NNDR	(145,636)	(132,501)
Revenue Support Grant	(21,148)	(30,583)
Area Based Grants	(29,815)	(21,679)
Capital Grants and Contributions	**(35,111)**	**(47,323)**
Sub Total	**(306,240)**	**(309,950)**
Credited to Services		
Dedicated Schools Grant	(188,195)	(180,449)
Rent Allowance Subsidy	(78,257)	(70,690)
Rent Rebate Subsidy	(59,417)	(58,592)

Council Tax Benefit	(23,036)	(22,271)
Benefit Administration Grant	(3,345)	(3,804)
Standards Fund	(33,721)	(36,147)
Sure Start	(13,628)	(11,651)
Housing Subsidy	(5,348)	(37,047)
Kidbrooke Development	(8,751)	(2,965)
School Standards Grant	(5,708)	(2,423)
Private Finance Initiative	(2,091)	(2,091)
Greenwich Local Labour	(1,397)	(1,510)
Exceptional Circumstances	(1,169)	0
London Pay – Additional Grant	(979)	(689)
DIP Grant	(813)	(1,230)
Social Care Reform	(506)	(1,945)
Housing Planning Grant	0	(775)
Asylum Seekers	0	(764)
Supporting People's Grant	0	(9,954)
Future Jobs Fund	0	(520)
LPSA	0	(517)
Other Miscellaneous Grants (under £500k)	(6510)	(14,000)
Sub Total	**(432,871)**	**(460,034)**
Total	**(739,111)**	**(769,984)**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital Grants in Advance

	2010/2011 £000
Primary Capital Programme grant	(6,713)
CLG Public Realm grant	(21)
HCA Low Carbon Infrastructure	(3,000)
Building Schools for the Future Section 106 contribution	(400)
Total	**(10,134)**

Revenue Grant Receipts in Advance

	2010/2011 £000
Multi-Systematic Therapy Grant	(651)
Big Lottery Fund Grant	(7)
Teachers Development Agency Grant	(96)
Youth Sports Trust	(2)
14-19 Diploma Funding	(22)
Children's Workforce Development Strategic Programme	(241)
14-19 Prospectus & CAP	(28)
ASPIRE	(34)
Standards Fund	(1,741)
Young People Learning Agency Support Fund	(29)
Adult Community Learning Contract	(49)
Family Literacy, Language & Numeracy Grant	(9)
LSC -Camel	(3)
Family Learning Impact fund	(100)
Neighbourhood Learning and Deprived Communities	(52)
Future Jobs Fund	(177)
Pollution Grants	(282)
CSE Grants	(120)
Environmental Health Grants	(35)
Stroke Grant	(64)
Social Care Integration Grant	(36)
Homelessness Action Grant	(184)
Healthy Home Grant	(78)
Beacon 10 Grant	(38)
Homelessness Grant	(371)
Total	**(4,449)**

37. Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2011 are shown in Note 38.

Officers
Gillian Palmer, a Council employee is a Director of London Grid for Learning Trust, who received £1,043,238 from the Council during the year.

Mary Moralee, a Council employee, has declared that her son's company received £892 from the Council for design works undertaken during the year.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/2011 is shown in Note 34.

Councillor Fletcher is a Director of Firepower (Royal Artillery Museums), as a nominated representative of the Council, who received grant funding of £60,000 for the year.

Councillor Parker is a Director of CNT Associates which has received £16,974 from the Council during the year for training works undertaken.

Councillor Grant is a nominated representative of the Council as a Trustee of the Twinkle Park Trust, who received £2,920 from the Council during the year.

Councillor Sidhu is a Director of South East London Combined Heat and Power (SELCHP) as a nominated representative of the Council, who received £6,279,373 from Greenwich Council for its waste management services.

Councillor Adams is a nominated member of the board of the Greenwich Dance Agency, who received £164,280 from the Council during the year.

Councillor Brinkhurst is an employee of Age Concern Greenwich, which has received £731,934.61 from the Council during the year.

Some members of the Council are nominated to the board of local organisations as Council appointed Members and have declarable transactions, as follows:

Member	**Organisation**	**Income from Greenwich Council**	**Outstanding Balances**
Cllr Gillman	Age Exchange Theatre Trust	£34,016	£0
Cllr Grant Cllr Adams	Blackheath Halls	£73,806	£0
Cllr Adams	Blind Independence Greenwich	£3,660	£0

Cllr Adams Cllr MacCarthy	Charlton Triangle Homes	£0	£0
Cllr Drury	Eltham United Charities	£5	£0
Cllr Cornforth Cllr Fletcher	Firepower	£89,496.87	£0
Cllr Brooks	Gallions Housing Association	£679.85	£0
Cllr Iqbal	Greenwich & Docklands International Festival	£0	£0
Cllr Hyland Cllr Smith	Greenwich Community College	£3,981,235	£181,096.81
Cllr Hayes Cllr Mills	Greenwich Co-operative Development Agency	£201,262	£1,375
Cllr Adams	Greenwich Dance Agency	£164,280	£0
Cllr Pennycook	Greenwich Housing Rights	£196,860	£0
Cllr Brooks Cllr Singh	Greenwich Leisure Ltd	£1,378,232	£1,062.74
Cllr Kotz	Greenwich Pensioner's Forum	£1,346	£0
Cllr Brooks	Greenwich Services Plus	£25,092,719	£0
Cllr Brooks	Greenwich Service Solutions	£248,783	£0
Cllr Grant Cllr Poston	Greenwich Theatre	£371,250	£0
Cllr Iqbal	Greenwich & Lewisham Young People's Theatre	£143,543	£0
Cllr James Cllr May	Horn Park Community Association	£42,599	£0
Cllr Grant	Local Government Information Unit	£23,884	£14,700

Cllr Gillman	London & Quadrant Housing Association Neighbourhood Committee	£62,266	£0
Cllr Fahy	London Youth Games	£6,720	£0
Cllr Morris Cllr May	Middle Park Community Centre	£110,186	£0
Cllr Barwick	New Charlton Community Centre	£52,866.84	£0
Cllr Kotz Cllr Smith	Primary Care Trust	£469,669	£1,925.15
Cllr Quibell	Rathmore Youth Centre	£0	£0
Cllr Hyland	South East Enterprise	£147,644	£0
Cllr Sidhu	South East London Combined Heat & Power Co.	£6,279,373	£417,899.78
Cllr Offord Cllr Mardner	St Paul's Academy	£289,114	£0
Cllr Grant Cllr Pennycook	Twinkle Park Trust	£2,920	£0
Cllr Jones Cllr Sidhu Cllr Singh	Walpole Estate Management Board	£150	£0
Cllr May	Widehorizons Outdoor Education Trust	£239,808	£1,990.84

<u>Other Public Bodies</u>
The Council has entered into a pooled budget agreement with Oxleas NHS Trust as outlined in Note 33.

<u>Entities Controlled or Significantly Influenced by the Council</u>
The Council has three wholly owned subsidiaries:

- Greenwich Service Plus (GSPlus)
- Greenwich Service Solutions (GSS)
- Gateway Employment Ltd

During 2010/2011 the Council made payments to GSPlus of £25,092,719 for services received and charged GSPlus £1,965,158 for services provided.

During 2010/2011 the Council made payments to GSS totalling £248,783 for services received and charged GSS £40,437 for services provided.

There were no transactions between the Council and Gateway Employment Ltd.

The overall relationship between the Council and its subsidiaries is detailed in the Group Accounts section of the Accounts.

During the financial year, the Council charged the Pension Fund £672,799 for expenses incurred in administering the fund. (£778,059 in 2009/2010). A balance of £16,351,208 was held in the Council's bank account as at March 2011, on behalf of the Pension Fund. (£518,700 as at 31st March 2010).

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The Capital Financing Requirement is analysed in the second part of the note.

2009/2010 £000	Capital Expenditure and Capital Financing	2010/2011 £000
	Capital Investment	
107,118	Property, Plant and Equipment	131,993
0	Investment Properties	0
605	Intangible Assets	50
6,144	Revenue expenditure Funded from Capital under Statute	9,584
113,867		141,627
	Sources of Finance	
16,349	Capital receipts	36,480
77,109	Government grants and other contributions	53,131
9,287	Direct revenue contributions	8,014
102,745		97,625
11,122	Borrowing supported by government financial assistance	13,764
0	Borrowing unsupported by government financial assistance	30,238
11,122		**44,002**

2009/10 £000	Capital Financing Requirement	2010/11 £000
2,092,252	Total Assets	1,780,951
(286,509)	Less Revaluation Reserve	(288,181)
(1,269,074)	Less Capital Adjustment Account	(913,716)
536,669	**Closing Financing Requirement**	**579,054**

39. Leases

Council as Lessee

Finance Leases

The Council has acquired one industrial estate (Thistlebrook) and some IT and telecommunications equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 £000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	1,601	741

Based on the terms of the lease and the rents receivable from the sub leases, the Thistlebrook Industrial Estate is held on the Balance Sheet at £1.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	314	115
• non-current	2,938	2,294
Finance costs payable in future years	6,026	6,071
Minimum lease payments	**9,278**	**8,480**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	444	226	314	115
Later than one year and not later than five years	1,662	1,000	1,261	616
Later than five years	7,172	7,254	1,677	1,678
Minimum lease payments	**9,278**	**8,480**	**3,252**	**2,409**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/2011 contingent rents were payable by the Council were £179,082 (2009/2010 £179,082).

The Council has sub-let some units of the industrial estate held under the finance lease. At 31st March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £862,500 (£1,012,500 at 31st March 2010).

Operating Leases

Property

The Council has acquired some land and a number of buildings to aid with service provision throughout the borough.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2010 £000
Not later than one year	474	584
Later than one year and not later than five years	620	953
Later than five years	6,804	6,935
Minimum lease payments	**7,898**	**8,472**

The leases are held for a variety of reasons and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in the period total £1.219m.

The Council has sub-let some of the assets held under the above operating leases. At 31st March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £688,375 (£795,375 at 31st March 2010).

Vehicles and Plant

All primary operating lease agreements in respect of vehicles and plant held by the Council had expired by the 31st March 2010. Secondary operating leases are renewed for a one year period subject to three months notice. The amount paid in respect of lease agreements in 2010/2011 was £372,124 (£524,030 in 2009/2010).

At 31st March 2011 the Council's future liability is dependent on operational decisions to extend leases for a further year or give notice to terminate. Lease rentals are paid in advance.

Internal Leasing

The Council operates an internal leasing fund for the acquisition of vehicles used principally in the provision of waste collection, building maintenance, street cleansing and passenger services.

In 2010/2011 the Council purchased vehicles to the value of £644,015 (£1,227,821 in 2009/2010), which were funded by the internal leasing fund.

Repayments were made to the fund in 2010/2011 totalling £1,591,007 (1,525,091 in 2009/2010). The repayments are made to the fund to enable future replacement and are based on the expected primary life of the vehicle.

Council as Lessor

Finance Leases

The Council has leased out part of a Car Park (Calderwood Street) to a Building Management company on a finance lease with a remaining term of 94 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011 £000	**31 March 2010 £000**
Finance lease debtor (net present value of minimum lease payments):		
• current	0	0
• non-current	308	308
Unearned finance income	8,371	8,446
Unguaranteed residual value of property	0	0
Gross investment in the lease	**8,679**	**8,754**

The gross investment in the lease and the minimum lease payments will be received in the following periods:

	Gross investment in the Lease		**Minimum Lease payments**	
	31 March 2011 £000	**31 March 2010 £000**	**31 March 2011 £000**	**31 March 2010 £000**
Not later than one year	75	75	75	75
Later than one year and not later than five years	299	299	299	299
Later than five years	8,305	8,380	8,305	8,380
Minimum lease payments	**8,679**	**8,754**	**8,679**	**8,754**

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2010/2011 (£0 in 2009/2010).

<u>Operating Leases</u>
The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2010 £000
Not later than one year	2,703	2,886
Later than one year and not later than five years	8,333	8,546
Later than five years	17,297	17,617
Minimum lease payments	**28,333**	**29,049**

There have been no contingent rents received under operating lease agreements in 2010/2011 (£0 in 2009/2010).

40. Private Finance Initiatives and Similar Contracts

A PFI agreement was signed in 2002 for the provision of three Neighbourhood Resource Centres (NRC). The three NRCs were designed to replace the Council's four Homes for Elderly People (HEP) and deliver a range of high quality services for older people. The NRCs opened between May and August 2004 and provide 162 residential and nursing care beds and a daycare service. The contract is for 30 years. The NRCs are on three sites provided by the Council. The Council is leasing the sites to the Provider for 30 years at nil value. The sites will be returned to the Council for nil consideration at the end of the contract.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contract and the sites provided by the Council are recognised on the Council's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under this contract the Council paid £8.747m in 2010/2011. The Council is required to make the following payments to the Provider:

Year	Payment for Services £000	Interest £000	Reimbursement of capital expenditure £000
2011/2012	7,160	1,644	136
2012/2013 to 2015/2016	30,745	6,321	443
2016/2017 to 2020/2021	41,210	7,618	2,332
2021/2022 to 2025/2026	47,974	5,569	2,948
2026/2027 to 2030/2031	52,605	4,435	5,480
2031/2032 to 2034/2035	40,567	1,111	6,132
Total	**220,261**	**26,698**	**17,471**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred in providing the NRCs and interest payable. The liability outstanding to pay the contractor for the capital expenditure incurred is as follows:

	2010/2011 £000	2009/2010 £000
Balance outstanding at start of year	17,623	17,740
Payments during the year	152	117
Capital expenditure incurred during the year	0	0
Balance outstanding at year end	**17,471**	**17,623**

41. Impairment Losses

The Council is undertaking a redevelopment programme of the Ferrier Estate, in light of which, the Council's Valuer has assessed the value of this asset should be impaired for the purposes of the Statement of Accounts. The total impairment charge was £20.761m of which £20.013m was charged to the Surplus or Deficit on the Provision of Services with the balance being taken to the Revaluation Reserve.

42. Termination Benefits

During the financial year 2010/2011 the Council terminated the contracts of a number of people and made payments in respect of their termination benefits totalling £2.6m.

Furthermore the Council has a provision of £4.3m in respect of employees whose contracts were terminated on the 31st March (thereby relating to a probable future transfer of economic benefits) and in respect of several reorganisations that were in progress at the balance sheet date.

43. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/2011, the Council paid £12,817,985 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/2010 were £12,681,164 and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included within Note 44.

44. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Greenwich Council (LBG) – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Greenwich Council is an employer within the London Pension Fund Authority (LPFA), which is also a LGPS fund.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. No further awards have been made since 2008 in respect of the LGPS, however, this facility remains as part of the Teachers Pension Scheme.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (in accordance with IAS 19). However, the charge we are required to make against Council tax is based on the cash payable in the year (derived from the employer contribution rates of 18.5% for LBG and 22.8% for LPFA), so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000				Discretionary Benefits £000			
	2010/2011			2009/2010	2010/2011			2009/2010
	LBG	LPFA	Total	Total	LBG	LPFA	Total	Total
Comprehensive Income and Expenditure Statement								
Cost of Services								
Current service cost	35,037	778	**35,815**	20,733	0	0	**0**	0
Past service costs	(93,204)	(5,432)	**(98,636)**	0	(1,635)	(177)	**(1,812)**	0
Settlements and curtailments	1,631	0	**1,631**	1,288	0	0	**0**	0
Financing and Investment Income and Expenditure								
Interest cost	60,004	4,151	**64,155**	54,854	1,478	166	**1,644**	1,648
Expected return on scheme assets	(47,250)	(3,178)	**(50,428)**	(36,365)	0	0	**0**	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(43,782)**	**(3,681)**	**(47,463)**	40,510	**(157)**	**(11)**	**(168)**	1,648

Other Post Employment benefit Charged to the Comprehensive Income and Expenditure Account								
Actuarial gains and losses	(160,804)	(26,286)	**(187,090)**	261,316	0	0	**0**	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(204,586)**	**(29,967)**	**(234,553)**	301,826	**(157)**	**(11)**	**(168)**	1,648
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	43,782	3,681	**47,463**	(40,510)	157	11	**168**	(1,648)
Actual amount charged against the General Fund Balance for pensions in the year								
Employer's contributions payable to the scheme	25,167	1,032	**26,199**	27,583				
Retirement benefits payable to pensioners					2,363	200	**2,563**	2,334

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a loss of £217.711m (2009/10 £404.801m).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme £000				Unfunded Liabilities: Discretionary Benefits £000			
	2010/2011			2009/2010	2010/2011			2009/2010
	LBG	**LPFA**	**Total**	Total	**LBG**	**LPFA**	**Total**	Total
Opening balance 1 April	**1,185,297**	**90,786**	**1,276,083**	820,336	**28,020**	**3,122**	31,142	25,361
Current service cost	35,037	778	**35,815**	20,733	0	0	0	0
Interest cost	60,004	4,151	**64,155**	54,854	1,478	166	1,644	1,648
Contributions by scheme participants	9,285	184	**9,469**	10,170	0	0	0	0
Actuarial gains and losses	(178,111)	(14,953)	**(193,064)**	417,902	(2,451)	(126)	(2,577)	6,467
Benefits paid	(35,759)	(5,925)	**(41,684)**	(37,192)	(2,363)	(200)	(2,563)	(2,334)
Past service costs	(93,204)	(5,432)	**(98,636)**	0	(1,635)	(177)	(1,812)	0
Entity combinations								
Curtailments	1,631	0	**1,631**	3,098	0	0	0	0
Settlements	0	0	**0**	(13,818)	0	0	0	0
Closing balance 31 March	**984,180**	**69,589**	**1,053,769**	1,276,083	**23,049**	**2,785**	25,834	31,142

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI)

rather than the Retail Prices Index (RPI). This has the effect of reducing Greenwich's share of liabilities in the Greenwich Council and LPFA by £100.448m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund (or Housing Revenue Account).

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme £000			
	2010/2011			2009/2010
	LBG	LPFA	Total	Total
Opening balance 1 April	**709,067**	**53,698**	**762,765**	**574,794**
Expected rate of return	47,250	3,178	50,428	36,365
Actuarial gains and losses	(19,758)	11,207	(8,551)	163,053
Employer contributions	27,530	1,232	28,762	29,917
Contributions by scheme participants	9,285	184	9,469	10,170
Benefits paid	(38,122)	(6,125)	(44,247)	(39,526)
Entity combinations				
Settlements				(12,008)
Closing balance 31 March	**735,252**	**63,374**	**798,626**	**762,765**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £53.357m (2009/10 £199.417m).

	2006/2007	200720/08	2008/2009	2009/2010	2010/2011		
	£000	£000	£000	£000	£000		
	Total	Total	Total	Total	LBG	LPFA	Total
Present value of liabilities							
Local Government Pension Scheme	(1,035,584)	(881,334)	(820,336)	(1,276,083)	(984,180)	(69,589)	**(1,053,769)**
Discretionary Benefits	(29,752)	(29,135)	(25,361)	(31,142)	(23,049)	(2,785)	**(25,834)**
Fair Value of Assets in the Local Government Pension Scheme	799,333	760,997	574,794	762,765	735,252	63,374	**798,626**
Surplus / (Deficit) in the scheme							
Local Government Pension Scheme	(236,251)	(120,337)	(245,542)	(513,318)	(248,928)	(6,215)	**(255,143)**
Discretionary Benefits	(29,752)	(29,135)	(25,361)	(31,142)	(23,049)	(2,785)	**(25,834)**
Total	**(266,003)**	**(149,472)**	**(270,903)**	**(544,460)**	**(271,977)**	**(9,000)**	**(280,977)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £280.977m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of

£1.169bn. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2012 are £26.164m. Expected contributions for the Discretionary Benefits scheme in the year to 31st March 2012 are £2.563m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett-Waddingham, an independent firm of actuaries, using data from the full triennial valuation as at 31st March 2010 and latest estimates for the funds as at 31st March 2011.

The principal assumptions used by the actuary have been:

	LBG		LPFA	
	2010/11	**2009/2010**	**2010/2011**	**2009/2010**
Long term rate of return on assets in the scheme (%)				
Equity investments	7.4	7.5	7.2	7.3
Gilts / Cashflow Matching	4.4	4.5	4.4	4.5
Bonds	5.5	5.5	-	-
Target Return Portfolio	-	-	5.0	5.0
Property	5.4	5.5	-	-
Cash	3.0	3.0	3.0	3.0
Mortality assumptions (yrs)				
Longevity at 65 for current pensioners				
• Men	20.0	19.5	20.0	21.0
• Women	24.0	22.5	23.1	23.4
Longevity at 65 for future pensioners				
• Men	22.0	20.4	22.1	22.0
• Women	25.9	23.4	25.0	24.2
Other assumptions (%)				
Rate of inflation (RPI)	3.5	3.9	3.5	3.9
Rate of inflation (CPI)	2.7	n/a	2.7	n/a

	LBG		LPFA	
Rate of increase in salaries	5.3	5.7	4.5	5.4
Rate of increase in pensions	2.7	3.9	2.7	3.9
Rate for discounting scheme liabilities	5.5	5.5	5.5	5.5
Take-up of option to convert annual pension into retirement lump sum	50	50	50	50

An assumption has been made that, on average, an employee will work one year later than they were first able to do so, without reduction in their benefit. It has also been assumed that there is an effective pay freeze for two years for public sector workers as per the Chancellor's Budget statement.

The Discretionary Benefits arrangement has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by amount and proportion of the total assets held:

£000	LBG		LPFA	
	2010/2011	2009/2010	2010/2011	2009/2010
Equity investments	536,733	524,709	7,605	5,907
Gilts / Cashflow Matching	44,115	49,635	22,181	20,405
Bonds	80,878	77,997		
Target Return Portfolio			34,222	28,997
Property	51,468	49,635		
Cash	22,058	7,091	(634)	(1,611)
Total	**735,252**	**709,067**	**63,374**	**53,698**

%	LBG		LPFA	
	2010/2011	2009/2010	2010/2011	2009/2010
Equity investments	73	74	12	11
Gilts / Cashflow Matching	6	7	35	38
Bonds	11	11		
Target Return Portfolio			54	54
Property	7	7		
Cash	3	1	(1)	(3)
Total	**100**	**100**	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as an amount and as a percentage of assets or liabilities:

	2006/2007		2007/2008		2008/2009		2009/2010		**2010/2011**	
	£000		£000		£000		£000		**£000**	
Scheme assets										
LBG	11,381		(96,786)		(232,986)		159,423		(19,758)	
LPFA	1	**11,382**	1,116	**(95,670)**	(8,170)	**(241,156)**	3,630	**163,053**	11,207	**(8,551)**
Scheme Liabilities										
LBG	0		70,788		0		(2,111)		25,060	
LPFA	(60)	**(60)**	3,851	**74,639**	(84)	**(84)**	410	**(1,701)**	3,016	**28,076**
	%		%		%		%		**%**	
Scheme assets										
LBG	1.5		(13.7)		(44.4)		22.5		(2.7)	
LPFA	0.0	**1.4**	2.0	**(12.6)**	(16.5)	**(42.0)**	6.8	**21.4**	17.7	**(1.1)**
Scheme Liabilities										
LBG	0.0		8.4		0.0		(0.2)		2.5	
LPFA	(0.1)	**(0.0)**	5.9	**8.2**	(0.1)	**(0.0)**	0.4	**(0.1)**	4.2	**2.6**

45. Contingent Liabilities

As at 31st March 2011 the Council had 3 contingent liabilities:

(a) Following a decision by the Government to review the operation of land charges, it is possible that the Council could receive claims for reimbursement of fees charged in the delivery of this service. The timing and amounts of any potential claims are uncertain.

(b) The Council is in receipt of claims in respect of street tree damage. The estimated cost of claims received is £0.162m.There are doubts associated with the probability of a transfer of economic benefits in respect of these claims on the grounds that only a small number of claims have been settled in the last three years.

(c) The Council is aware that, following the conclusion of Equal Pay negotiations, there are potential legal claims arising. It is unable to assess the extent, value and timing of claims.

46. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. This requires the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing
    - its maximum and minimum exposures to fixed and variable rates
    - its maximum and minimum exposures to the maturity structure of its debt
    - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. These policies are implemented by a central treasury team.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit default swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- share prices
- UK institutions provided with support from the UK Government;
- a £30m credit limit (with the exception of the UK Government)
- news and information from the City via Bloomberg and other sources.

The Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. There has been no occurrence of a default with regard to the investments held at the balance sheet date. The Director of Finance has reviewed the portfolio and determined that no allowance is required for such within these accounts.

The Council does not generally allow credit for customers. The past due but not impaired amount (forming part of the Council's debtors) can be analysed by age as follows:

	10/11	09/10
	£000	£000
Less than three months	7,626	8,638
Three to six months	1,371	966
Six to one year	2,431	2,808
More than one year	5,328	4,393
	16,756	**16,805**

All sums owing are due to be settled within one year.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has investments in Treasury Bills and Gilts, which are classified as "Available for Sale", which are readily tradable in a liquid market.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (see Refinancing Risk).

Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council sets limits on the proportion of its fixed rate borrowing during specified periods. Aside from a small number of interest free loans granted to the Council in respect of financing

energy efficiency projects, interest rates on loans varied between 3.480% - 11.625% (2009/2010: 3.58% - 11.625%). The maturity analysis of financial liabilities is as follows:

	2010/2011	2009/2010
	£000	£000
Less than one year	28,094	23,578
Between one and five years	37,855	55,021
Between five and ten years	42,000	37,637
Between ten and twenty years	34,500	29,500
More than twenty years	391,074	361,074
Total	**533,523**	**506,810**

Within the "more than twenty years" category are £129m of market loans. They have options built into them whereby after a period of time, the lender may ask for the rate payable to be changed. The Council has the option to either accept this increase or repay the loan in full, without penalty. The risk to the Council is that these options are exercised at a time of unfavourable interest rates. The Council has set a limit of 40% of its long term borrowing that can be undertaken on this basis. The option dates have been spread over several years to ensure that the risk of this scenario occurring is reduced.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure.

The long term borrowing of the Council is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, or the debit to the Housing Revenue Account, if interest rates were different from those that prevailed on the balance sheet date. Investments are also held at fixed rate.

<u>Price Risk</u>

The Council does not generally invest in equity shares but does have holdings of Gilts and Treasury Bills. The Council is consequently exposed to gains or losses arising from movements in the prices of these instruments should it wish to sell them before their maturity date.

The Gilts and Treasury Bills are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. There has been no major change in interest rate expectation between the date on which the securities were acquired and the Balance Sheet date, the carrying value thus equates to the fair value of the Treasury Bills and very close to the Gilts values.

It is the Council's current policy not to trade the securities before their maturity date unless there are exceptional circumstances.

<u>Foreign Exchange Risk</u>

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

<u>Financial Guarantees</u>

The Widehorizons Trust Ltd delivers outdoor education services at various establishments. In 2008 the Council agreed to guarantee a loan of up to £1.5m to the Trust by Futurebuilders Ltd. As at 31st March 2011, the total loan drawn down was £1.5m. The lender is a government backed fund offering support and investment to third sector organisations delivering public services. The Council has reviewed the probability of the guarantee being called and the likely amount payable. The company's accounts for the period 1 April 2009 to 31st March 2010 show a surplus and the business case has capacity to absorb higher costs. After making allowance for loan repayments, there is an estimated ongoing annual surplus. Accordingly the Council has determined that, based on current information, the guarantee will not be called.

47. Prior Period Adjustment

<u>Adults and Older People PFI scheme</u>

A PFI agreement was signed in 2002 for the provision of three Neighbourhood Resource Centres. In accordance with the Code of Practice on Local Authority Accounting 2009, the assets provided under the contract and the corresponding liability with the Operator was written on to the Balance Sheet. A subsequent review of the annual payments made by the Council to the Operator has identified the need to adjust the outstanding liability as follows:

Balance Sheet restatement	31 March 2009	Adjustment
	£000	£000
Current liabilities:		
Finance Lease creditors	(126)	(24)
Long Term Liability	(18,614)	141
Capital Adjustment Account	1,057,310	117

Balance Sheet restatement	31 March 2010	Adjustment
	£000	£000
Current liabilities:		
Finance Lease creditors	(241)	(25)
Long Term Liability	(18,248)	166
Capital Adjustment Account	1,038,603	141

Income and Expenditure restatement	31 March 2010	Adjustment
	£000	£000
Financing and investment income and expenditure	0	(24)

<u>Levies</u>

The Code requires Levies to be identified within other operating expenditure, restated from net cost of services categories:

Income and Expenditure restatement	31 March 2010	Adjustment
	£000	£000
Central Services	11,351	(708)
Education	86,204	(1,162)
Other operating expenditure	0	1,870

Deferred Credits

The Code requires deferred credits to be identified within other operating expenditure.

Income and Expenditure restatement	31 March 2010	Adjustment
	£000	£000
Other operating expenditure	0	85
Deferred Credits	85	(85)

Net Cost of Services Adjustment

The Council has reviewed its treatment of the RCCO entry in the HRA and adjusted accordingly.

Income and Expenditure restatement	31 March 2010	Adjustment
	£000	£000
Central Services Expenditure	121,365	(7,242)
Central Services Income	(130,837)	7,242

Additional Financial Statements

Collection Fund Account

This account shows the income received from Council Tax payers, Community Charge payers and Business Rate payers. It also shows how the income is distributed between the Greenwich Council General Fund and the Greater London Authority (GLA).

Income and Expenditure Account

(£000s)		31 March 2011	31 March 2010
Income From Council Taxpayers		83,127	81,883
Transfers From General Fund			
Council Tax Benefits		22,720	22,112
Income Collectable From Business Ratepayers	Note 4	55,709	54,362
Total Income		**161,556**	**158,357**
Precepts And Demands	Note 5	101,104	101,225
Business Rate Payment To National Pool		53,345	53,994
Business Rate Cost Of Collection		289	295
Business Rate Supplement Payment To GLA		1,911	0
Business Rate Supplement Administrative Costs		13	0
Distribution Of Previous Year's Surplus		6,928	2,185
Allowance For Interest Paid To Ratepayers		151	72
Provision Made For Council Tax Bad Debts	Note 7	1,606	1,541
Total Expenditure		**165,347**	**159,312**
Surplus/(Deficit) For The Year		**(3,791)**	**(955)**
Fund Balance B/F		6,500	7,455
Surplus / (Deficit) for the Year		(3,791)	(955)
Fund Balance C/F	**Note 6**	**2,709**	**6,500**

Notes to the Collection Fund accounts

1. The Council Tax System

The Council Tax is the means of raising income from local residents to pay for Council services. The Council Tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Inland Revenue has appointed a Listing Officer for the borough who is responsible for property valuations, valuation registers and appeals.

2. Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation.

The year end surplus or deficit on the Collection Fund, when attributable to the Council Tax system, is apportioned between the Council and the GLA. Any surplus or deficit arising on outstanding Community Charge transactions is retained solely by the Council.

3. Income from the Council Tax

In 2010/2011 the Council set a band D tax of £1,290.73 (£1,290.73 in 2009/2010). The charge for each band is a ratio of band D. The 2010/2011 charges were:

Band	2010/2011 Ratio to Band D	2010/2011 Council Tax £	2009/2010 Council Tax £
A	6/9	860.49	860.49
B	7/9	1,003.90	1,003.90
C	8/9	1,147.32	1,147.32
D	1	1,290.73	1,290.73
E	11/9	1,577.56	1,577.56
F	13/9	1,864.39	1,864.39
G	15/9	2,151.22	2,151.22
H	18/9	2,581.46	2,581.46

These charges are before any appropriate discounts or benefits.

The Council taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2010/2011 was 78,322.76 (78,416.94 in 2009/2010) as calculated below.

	2010/2011					2009/2010
Band	**Dwellings Per Valuation List**	**Adjustment For Disabled Banding Appeals, Discounts And Exemptions**	**Revised Dwellings**	**Ratio To Band D**	**Band D Equivalent**	**Band D Equivalent**
A (Disabled)	0	4.25	4.25	5/9	2.36	4.65
A	11,273	(2,939.57)	8,333.43	6/9	5,555.62	5,863.47
B	18,677	(3,463.10)	15,213.90	7/9	11,833.04	11,630.02
C	37,072	(5,000.26)	32,071.74	8/9	28,508.21	28,300.59
D	20,262	(2,269.24)	17,992.76	1	17,992.76	18,075.83
E	9,958	(883.17)	9,074.83	11/9	11,091.46	11,272.15
F	2,773	(144.23)	2,628.77	13/9	3,797.11	3,743.73
G	1,878	(135.68)	1,742.32	15/9	2,903.87	2,937.08
H	316	(41.29)	274.71	18/9	549.42	504.10
Total	**102,209**	**(14,872.29)**	**87,336.71**		**82,233.85**	**82,331.62**
Less Allowance for Non Collection					(4,111.69)	(4,116.58)
Plus Adjustment for Armed Forces Dwellings					200.60	201.90
Whole Borough Taxbase					**78,322.76**	**78,416.94**

Based on the estimated taxbase of 78,322.76 an income yield for 2010/2011 of £101.09m (£101.22m in 2009/2010) was anticipated. The actual taxbase was equivalent to 82,005.53 (80,570.68 in 2009/2010) including backdated transactions and the equivalent yield was £105.85m (£104.00m in 2009/2010).

4. Business Rate Income

The Non-Domestic Rate Multiplier is set nationally and for 2010/2011 was 41.4p (48.5p in 2009/2010).

The income collectable for 2010/2011 is shown below:

	2010/2011	2009/2010
	£000	**£000**
Debits Raised	66,060	64,275
Deduct increased debit raised due to transitional relief increases net of losses and reliefs granted	(10,351)	(9,913)
Total Collectable	**55,709**	**54,362**

The charges raised in 2010/2011 (before reliefs and write-offs) were £66.060m (£64.274m in 2009/2010). The total rateable value for non-domestic rated property in the Borough for 2010/2011 was in the region of £164.8m (£139.7m in 2009/2010).

5. Precepts and Demands

	2010/2011	2009/2010
	£000	£000
Greenwich Council	76,838	76,930
Greater London Authority	24,266	24,295
Total	**101,104**	**101,225**

In 2010/2011 a Council Tax surplus of £6.928m was distributed between the Borough and the GLA.

6. Collection Fund Surplus

The balance on the Fund at 31st March 2011 is £2.709m. Of this sum, £0.651m is the GLA's share of the Collection Fund and is shown as a creditor in the Council's balance sheet. The balance of £2.058m is Greenwich's share of the Collection Fund. £0.434m will be distributed to the GLA in 2011/2012. The remaining Collection Fund balance will be taken into account in future budget setting processes.

7. Provision for Irrecoverable Council Tax Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2010/2011 £1.606m (£1.541m in 2009/2010) was contributed to the Council Tax bad debt provision and £1.255m (£0.704m in 2009/2010) of irrecoverable debts were written off.

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/2010		**2010/2011**
£000	**Expenditure**	**£000**
24,480	Repairs and Maintenance	23,838
33,228	Supervision and Management	35,453
2,601	Rent, Rates, Taxes and Other Charges	2,140
0	Negative HRA subsidy payable – Note 1	10,847
55,079	Depreciation and Impairment of non-current Assets	413,990
202	Debt Management Costs	189
1,189	Movement in the allowance for bad debts (not specified by code)	630
939	Sums Directed by the Secretary of State that are Expenditure in Accordance with the code	316
117,718	**Total Expenditure**	**487,403**
	Income	
(98,560)	Dwelling Rents	(98,886)
(2,734)	Non Dwelling Rents	(2,917)
(2,649)	Charges for services and facilities	(2,895)
(82)	Contribution towards expenditure	(110)
0	Movement in the allowance for bad debts (not specified by code)	(14)
(21,577)	HRA subsidy receivable	0
(125,602)	**Total Income**	**(104,822)**
(7,884)	**Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	382,581
846	HRA Services Share of Corporate and Democratic Core	799
2,117	HRA share of other amounts included in the whole authority cost of services but not allocated to specific services	(7,748)
(4,921)	**Net Cost (Income) for HRA Services**	**375,632**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(2,131)	(Gain) or Loss on sale of HRA non-current Assets	(5,224)

21,375	Interest Payable and Similar Charges	22,456
(100)	Interest and Investment Income	(407)
1,473	Pensions Interest Cost and Expected Return on Pension Assets	1,195
15,696	**(Surplus) / Deficit for the Year on HRA Services**	**393,652**

Housing Revenue Account
Movement on the HRA Statement

2009/2010		**2010/2011**
£000		**£000**
(1,971)	**Balance on the HRA at the end of the previous year**	**(4,573)**
15,696	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	393,652
(18,298)	Adjustment between accounting basis and funding basis under statute	(396,268)
(2,602)	**Net (Increase) or decrease before transfers to or from reserves**	**(2,616)**
(2,602)	**(Increase) or decrease in year on the HRA**	**(2,616)**
(4,573)	**Balance on the HRA at the end of the current year**	**(7,189)**

Notes to the Housing Revenue Account

1. Housing Subsidy

2009/2010 £000		**2010/2011 £000**
23,457	Allowance for Management	24,239
34,336	Allowance for Maintenance	35,740
37,047	Allowance for Major Repairs	5,348
22,106	Charges for Capital	18,047
1,141	Other Items of Reckonable Expenditure	0
(96,110)	Rent	(97,627)
(18)	Interest on Receipts	(11)
21,959	**Net Housing Subsidy (Payable) for the Year**	**(14,264)**

The figure of £14.264m is the amount of subsidy paid to the DCLG in respect of the financial year 2010/2011. This differs from the subsidy shown as payable £10.847m in the year because of change in the consolidated rate of interest for the year £3.63m and a prior year adjustment £0.213m.

Deductions from the rent rebate subsidy made due to the operation of the policy on rent rebate subsidy limitation are charged to the HRA. The charge in 2010/2011 amounted to £0.316m.

2. Depreciation and Impairment

	2010/2011
Depreciation and Impairment	**£000**
Depreciation on HRA assets	
Property Plant and Equipment Assets – Dwellings	14,302
Property Plant and Equipment Assets - Other	1,453
	15,755
Impairment and Revaluation Losses	435,494

HRA valuations were reviewed at 1st April 2010 and the 31st March 2011. The valuations are based on Stock Valuation for Resource Accounting, a guide issued by CLG. This guide incorporates a factor to recognise the specific nature of valuing social housing. This factor, which reduces the assessed value, has been amended from 37% to 25%, which, together with the revaluation programme, has given rise to a significant level of impairment in 2010-11. In addition the impairment figures reflect the Ferrier Estate where the Council is undertaking a redevelopment programme, in light of which, the Council's Valuer has assessed that part of the value of this development should be impaired for the purposes of the Statement of Accounts.

3. Housing Stock

The Council was responsible for managing 23,745 dwellings as at 31st March 2010 and 23,407 as at 1st April 2011. The property is analysed below:

Analysis of HRA Dwellings at 1st April 2010	1 Bed	2 Beds	3 & more	Total
Low rise flats in blocks up to 2 storeys	1,489	1,105	399	2,993
Medium rise flats in blocks of 3-5 storeys	4,196	3,564	1,720	9,480
High rise flats in blocks of 6 or more storeys	1,743	1,986	442	4,171
Houses and bungalows	250	1,357	5,476	7,083
Multi occupied dwellings				18
Total				**23,745**

The HRA valuations were reviewed as at 1st April 2010 and the 31st March 2011.These figures represent the valuation less disposals and depreciation.

31 March 2010		31 March 2011
£000	**Balance Sheet Valuation of HRA Assets**	**£000**
	Property Plant and Equipment Assets -	
1,229,166	Dwellings	873,362
35,398	Property Plant and Equipment Assets - Other	36,446
1,191	Intangible Assets	1,191
125	Assets held for Sale	270
1,265,880	**Total**	**911,269**

The Vacant Possession Value is the Council's estimate of the total sum that it would receive if all the assets were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

At 1st April 2009	Vacant Possession Value	At 1st April 2010
£000		**£000**
3,231,247	HRA Dwellings	3,486,699

4. Major Repairs Reserve

2009/2010 £000		2010/2011 £000
0	Balance as at 1st April	0
37,047	Financing of Capital Expenditure for year	5,348
(15,405)	Depreciation in excess of/less than Major Repairs Allowance	10,407
(21,642)	Depreciation for the year	(15,755)
0	**Balance as at 31 March**	**0**

5. HRA Capital Financing

2009/2010		2010/2011
£000		**£000**
	HRA Capital Expenditure	
0	Land	0
52,919	Houses	58,262
19	Other Property	0
52,938		**58,262**
	Financed by:	
11,122	Borrowing	36,980
1,120	Capital Receipts	6,717
37,047	Major Repairs Reserve	5,348
2,324	Other Grants	7,787
1,325	Revenue	1,430
52,938	**Total**	**58,262**

Summary of HRA Capital Receipts

2009/2010		2010/2011
£000		**£000**
	Capital Receipts	
260	Land	866
3,176	Houses	6,707
6	Other Property	100
3,442	**Total**	**7,673**

6. Rent Arrears

HRA rent arrears at 31st March 2011 totalled £10.157m. This excludes prepayments of £2.111m and may be analysed as follows:

2009/2010		2010/2011
£000		**£000**
	Arrears	
7,001	Due from Current Tenants	6,432
4,866	Due from Former Tenants	3,725
11,867		**10,157**
(2,269)	Less Prepayments	(2,111)
9,598	**Net Arrears**	**8,046**

These arrears include all charges due from tenants i.e. rent, rates, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2011 the provision totaled £7.328m.

7. Pension Costs - IAS 19

IAS19 has been incorporated in the HRA. Entries have been calculated on the basis of the HRA's apportioned share of pension costs during the financial year.

Group Accounts

The following Group Accounts present the financial position of the Council's group of organisations. The Council's group includes Greenwich Service Solutions Ltd (GSS), Greenwich Service Plus (GSP) and Gateway Employment Ltd. All of these are wholly owned subsidiaries of the Council (Gateway having become a subsidiary in December 2010) for which consolidated accounts were required for the first time in 2009/2010. The principal activity of GSS is school catering services. The principal activities of GSP are building cleaning, catering and fleet management. The principal activity of Gateway is a recruitment agency. In addition, in January 2011, the Council established a wholly owned company limited by shares (Meridian Home Start Ltd) for the purpose of letting family homes. However, the company did not commence operations until April 2011 and, therefore, will be incorporated for the first time in the 2011/2012 accounts. The accounts have been restated to reflect the impact of IFRS on the Council's main statements.

Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	**(20,011)**	**(175,779)**	**(1,971)**	**0**	**(9,949)**	**0**	**(27,577)**	**(235,287)**	**(1,231,211)**	**(1,466,498)**
Movement in Reserves during 2009/2010										
(Surplus) or deficit on the provision of services	3,711	0	15,694	0	0	0	0	**19,405**	0	**19,405**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	176,683	**176,683**
Total Comprehensive Income and Expenditure	**3,711**	**0**	**15,694**	**0**	**0**	**0**	**0**	**19,405**	**176,683**	**196,088**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(6,912)	0	(18,296)	0	(25,927)	0	(7,262)	**(58,397)**	58,397	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(3,201)**	**0**	**(2,602)**	**0**	**(25,927)**	**0**	**(7,262)**	**(38,992)**	**235,080**	**196,088**
Transfers to/from Earmarked Reserves (Note 8)	3,849	(3,849)	0	0	0	0	0	**0**	0	**0**
Increase/Decrease in 2009/2010	**648**	**(3,849)**	**(2,602)**	**0**	**(25,927)**	**0**	**(7,262)**	**(38,992)**	**235,080**	**196,088**
Balance at 31 March 2010	**(19,363)**	**(179,628)**	**(4,573)**	**0**	**(35,876)**	**0**	**(34,839)**	**(274,279)**	**(996,131)**	**(1,270,410)**
Movement in Reserves during 2010/2011										
(Surplus) or deficit on the provision of services	(89,622)	0	393,652	0	0	0	0	**304,030**	0	**304,030**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(198,223)	**(198,223)**
Total Comprehensive Income and Expenditure	**(89,622)**	**0**	**393,652**	**0**	**0**	**0**	**0**	**304,030**	**(198,223)**	**105,807**
Adjustments between accounting basis & funding basis under regulations (Note 7)	72,689	0	(396,268)	0	25,159	0	12,672	**(285,748)**	285,748	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(16,933)**	**0**	**(2,616)**	**0**	**25,159**	**0**	**12,672**	**18,282**	**87,525**	**105,807**
Transfers to/from Earmarked Reserves (Note 8)	378	(378)	0	0	0	0	0	**0**	0	**0**
Increase/Decrease in year	**(16,555)**	**(378)**	**(2,616)**	**0**	**25,159**	**0**	**12,672**	**18,282**	**87,525**	**105,807**
Balance at 31 March 2011 carried forward	**(35,918)**	**(180,006)**	**(7,189)**	**0**	**(10,717)**	**0**	**(22,167)**	**(255,997)**	**(908,606)**	**(1,164,603)**

Group Income and Expenditure Statement

2009/2010 Gross Expenditure £000	2009/2010 Gross Income £000	2009/2010 Net Expenditure £000		2010/2011 Gross Expenditure £000	2010/2011 Gross Income £000	2010/2011 Net Expenditure £000
37,625	(27,112)	10,513	Central services to the public	27,544	(8,575)	18,969
109,749	(48,608)	61,141	Cultural, environmental, regulatory and planning services	122,488	(62,197)	60,291
383,748	(296,140)	87,608	Education and children's services	373,600	(307,691)	65,909
20,974	(5,950)	15,024	Highways and transport services	22,961	(6,406)	16,555
121,906	(129,791)	(7,885)	Local authority housing (HRA)	478,685	(96,273)	382,412
140,705	(134,024)	6,681	Other housing services	146,515	(141,625)	4,890
112,455	(40,670)	71,785	Adult social care	113,133	(32,603)	80,530
7,061	0	7,061	Corporate and democratic core	6,710	0	6,710
29,217	0	29,217	Non distributed costs	(90,433)	0	(90,433)
6,451	(2,664)	3,786	Other operating activities	25,978	(3,999)	21,979
969,891	**(684,959)**	**284,931**	**Cost Of Services**	**1,227,181**	**(659,369)**	**567,812**
		(1,873)	Other Operating Expenditure (Note 9)			1,714
		46,305	Financing and Investment Income and Expenditure (Note 10)			40,725
		0	Surplus or Deficit of Discontinued Operations			0
		(309,950)	Taxation and Non-Specific Grant Income (Note 11)			(306,240)
		19,414	**(Surplus) or Deficit on Provision of Services**			**304,011**
		(9)	Tax Expenses			19
		19,405	**Group (Surplus) or Deficit on Provision of Services**			**304,030**
		(95,444)	Surplus or deficit on revaluation of property, plant and equipment assets			(6,370)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		272,127	Actuarial gains / losses on pension assets / liabilities			(191,853)
		176,683	**Other Comprehensive Income and Expenditure**			**(198,223)**
		196,088	**Total Comprehensive Income and Expenditure**			**105,807**

Group Balance Sheet

31 March 2010 £000		31 March 2011 £000
2,084,084	Property, Plant & Equipment	1,752,269
7,935	Intangible Assets	4,945
0	Long Term Investments	900
1,466	Long Term Debtors	971
2,093,485	**Long Term Assets**	**1,759,085**
224,135	Short Term Investments	248,065
250	Assets Held for Sale	23,770
881	Landfill Allowance	592
684	Inventories	353
88,226	Short Term Debtors	67,986
36,539	Cash and Cash Equivalents	32,815
350,715	**Current Assets**	**373,581**
(439)	Cash and Cash Equivalents	(3,421)
(26,612)	Short Term Borrowing	(31,882)
(58,359)	Short Term Creditors	(74,753)
(4,514)	Receipts in Advance	(4,449)
(10,416)	Provisions	(9,237)
(161)	Defra Liability	(51)
(100,501)	**Current Liabilities**	**(123,793)**
(544,460)	Long Term Creditors	(280,979)
(6,909)	Provisions	(11,771)
(483,232)	Long Term Borrowing	(505,430)
(38,686)	Other Long Term Liabilities	(35,956)
0	Capital Grants Receipts in Advance	(10,134)
(1,073,287)	**Long Term Liabilities**	**(844,270)**
1,270,411	**Net Assets**	**1,164,603**
(274,279)	Usable Reserves	(255,996)
(996,132)	Unusable Reserves	(908,607)
(1,270,411)	**Total Reserves**	**(1,164,603)**

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group. Intra group transactions have been eliminated.

	2010/2011 £000
Net surplus or (deficit) on the provision of services	(304,030)
Adjustments to net surplus or deficit on the provision of services for non cash movements	413,025
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(46,969)
Net cash flows from Operating Activities	62,026
Investing Activities	(98,586)
Financing Activities	29,854
Net increase or decrease in cash and cash equivalents	(6,706)
Cash and cash equivalents at the beginning of the reporting period	36,100
Cash and cash equivalents at the end of the reporting period	**29,394**

Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £000
Cash and bank balances	12,827
Cash equivalent	19,988
Bank overdraft	(3,421)
Total Cash and Cash Equivalents	**29,394**

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	31 March 2011
	£000
Interest received	1,276
Interest paid	(27,386)
Dividends received	0

Cash Flow Statement – Investing Activities

	2010/2011
	£000
Purchase of property, plant and equipment, investment property and intangible assets	(131,756)
Purchase of short-term and long-term investments	(7,298,480)
Other payments for investing activities	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,542
Proceeds from short-term and long-term investments	7,273,727
Other receipts from investing activities	46,381
Net cash flows from investing activities	**(98,586)**

Cash Flow Statement – Financing Activities

	2010/2011
	£000
Cash receipts of short- and long-term borrowing	50,337
Other receipts from financing activities	3,448
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(308)
Repayments of short- and long-term borrowing	(23,623)
Other payments for financing activities	0
Net cash flows from financing activities	**29,854**

Notes to the Group Accounts

1. Preparation

Group Accounts have been prepared to include the accounts of the Council and three wholly owned subsidiaries, Greenwich Service Solutions Ltd, Greenwich Service Plus and Gateway Employment Ltd.

2. Greenwich Service Solutions Ltd (GSS)
GSS was established on 22nd December 2008 with a share capital of 100 £1 shares, wholly owned by the Council. The auditors of GSS are:

McCabe Ford Williams
Bank Chambers
1 Central Avenue
Sittingbourne
Kent
ME10 4AE

3. Greenwich Service Plus (GSPlus)
GSPlus was established on 4th November 2009. It is a wholly owned subsidiary, limited by guarantee. The auditors are McCabe Ford Williams (as above).

4. Gateway Employment Ltd
The Council was admitted to membership in December 2010. It is the sole guarantor of the company. The auditors are McCabe Ford Williams (as above).

5. Accounts
The accounts for GSS Ltd, GSP and Gateway can be obtained from:

Birchmere Business Site,
Eastern Way
London SE 28 8BF.

Pension Fund Accounts

Fund Account

31 March 2010		Notes	31 March 2011
£000			£000
	Dealings with members, employers and others directly involved in the scheme		
	Contributions receivable:	3	
28,092	Employer contributions		27,863
10,543	Member contributions		10,341
4,852	Transfers in from other pension funds	5	4,709
	Benefits:	4	
(25,524)	Pensions		(26,665)
(9,420)	Lump sum & death benefits		(7,305)
(4,749)	Payments to and on account of leavers	5	(6,220)
(878)	Administration expenses	17	(777)
2,916	**Net additions/(withdrawals) from dealings with members**		**1,946**
	Returns on investment		
9,141	Investment income	12	9,415
191,233	Profit and losses on disposal of investments and changes in value of investments		46,816
(584)	Taxes on income	8	(357)
(2,175)	Investment management expenses		(2,225)
197,615	**Net returns on investment**		**53649**
200,531	**Net increase (decrease) in the net assets available for benefits during the year**		**55,595**
528,677	**Opening net assets of the scheme**		**729,208**
729,208	**Closing net assets of the scheme**		**784,803**

Net Asset Statement

1 April 2009	31 March 2010		Notes	31 March 2011
£000	£000			£000
		Investment assets		
177,321	252,863	Equities	10 & 11	246,162
		Pooled investment vehicles:	10 & 11	
108,210	129,528	Fixed interest OEIC		138,315
36,594	46,235	Property unit trusts		51,495
168,254	259,368	Unitised insurance policies		281,661
10,146	13,870	Other unit trusts		15,448
13	14	Derivative contracts	11	83
1,450	1,450	Property – freehold	2	1,450
14,373	18,434	Private equity	10, 11 & 19	25,559
12,433	9,375	Cash Deposits	7	8,207
2,340	3,415	Other investment balances	6	1,306
		Investment liabilities		
0	0	Derivative contracts	11	(10)
(3,001)	(4,255)	Other investment balances	6	(1,155)
528,133	**730,297**	**Net investment assets/(liabilities)**		**768,521**
		Current assets		
107	146	Contributions due	6	160
18	1	Other current assets	6	4
749	519	Cash balances	7	16,351
		Current liabilities		
(329)	(1,748)	Unpaid benefits	6	(224)
(1)	(7)	Other current liabilities	6	(9)
544	**(1,089)**	**Net current assets/(liabilities)**		**16,282**
528,677	**729,208**	**Net assets of the scheme available to fund benefits at the period end**		**784,803**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31st March 2011. The triennial actuarial valuation of the fund does take into account the long term liabilities of the fund. An overview of the valuation is provided in note 13. The full valuation report is available on the Council's website: www.greenwich.gov.uk

Notes to the Pension Fund Accounts

1. Introduction

The Pension Fund is a defined benefit scheme, which provides for the payment of benefits to current and former employees of Greenwich Council and those organisations with admitted or scheduled body status within the fund. These benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from employees and employers and from interest and dividends on the Fund's investments. All employees (except teachers) with a contract of employment greater than 3 months are eligible to join the scheme but may opt out and make their own pension fund arrangements if they so wish.

The objective of the Pension Fund's financial statements is to provide information about the financial position and performance of the fund. They show the results of the stewardship of management, that is the accountability of management for the resources entrusted to it and the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future which are reported upon separately in the Actuary's statement. An overview of the most recent actuarial valuation is provided in note 13.

2. Accounting Policies

a) Accounts

The accounts summarise the transactions and net assets of the Pension Fund and comply in all material respects with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 which is IFRS compliant. The 2010/2011 Pension Fund accounts are the first to be prepared on an IFRS basis. The adoption of these International Financial Reporting Standards has resulted in no material differences to the Pension Fund accounts.

b) Basis of Preparation

An actuarial valuation has been carried out as at 31st March 2010. This determined contribution rates for the next three years with an aim to achieve 100% funding. Therefore these accounts have been produced on a going concern basis.

Except where otherwise stated, the accounts have been prepared on an accruals basis, that is income and expenditure is recognised as it is earned or incurred, not as it is received or paid.

c) Investments

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

(a) Listed securities are shown by reference to bid-market price at the close of business on 31st March 2011.
(b) Unit trust and managed fund investments are stated at the bid price quoted by their respective managers prior to the close of business on 31st March 2011. Closed ended property funds are valued on a Net Asset Value basis.
(c) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31st December 2010, reflecting the nature of valuing those investments, adjusted for cashflows up to 31st March 2011. It is less easy to trade private equity than it is for quoted investments. Therefore when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.

(d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on the 31st March 2011.
(e) The fund owns one investment property - New Lydenburg Industrial Estate. The property was revalued as at 31st March 2009 at a value of £1.45m by Simon Marsh, who is an employee of Greenwich Council and a member of the Pension Fund, utilising the Appraisal and Valuation Standards Manual 6th Edition published by The Royal Institution of Chartered Surveyors. The valuation was based on the Open Market Value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, then adjusted to reflect age, condition and characteristics of the particular locality. Any surplus/deficit on valuation is reflected in the Fund Account and is shown as Change in Market Value of Investments.
(f) Investment management fees are calculated by reference to the market value of portfolio assets at the end of each quarter. The exceptions to this are Fidelity, where fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

3. Contributions

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2010/2011 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2009/2010 £000		2010/2011 £000
	Employee contributions:	
9,913	Greenwich Council (administering authority)	9,285
471	Admitted Bodies	489
159	Scheduled Bodies	567
10,543	**Total employee contributions**	**10,341**
	Employer contributions:	
26,516	Greenwich Council (administering authority)	25,167
1,192	Admitted Bodies	1,177
384	Scheduled Bodies	1,519
28,092	**Total Employer contributions**	**27,863**
38,635	**Total contributions receivable**	**38,204**

4. Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2009/2010 £000		2010/2011 £000
	Pensions:	
(25,066)	Greenwich Council (administering authority)	(26,171)
(352)	Admitted Bodies	(373)
(106)	Scheduled Bodies	(121)
(25,524)	**Total pensions payable**	**(26,665)**
	Retirement lump sum:	
(8,478)	Greenwich Council (administering authority)	(6,191)
(292)	Admitted Bodies	(106)
(8)	Scheduled Bodies	(255)
(8,778)	**Total retirement lump sum**	**(6,552)**
	Death benefit:	
(642)	Greenwich Council (administering authority)	(753)
(642)	**Total death benefit**	**(753)**
(34,944)	**Total benefits payable**	**(33,970)**

5. Transfer Values

Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values have been brought into the accounts on a cash basis.

On 31st December 2002 employees of Greenwich Council engaged in the operation of the Brantridge School transferred to Grafham Grange Special Educational trust. At the balance sheet date a bulk transfer in respect of 16 employees to the London Pension Fund Authority had not taken place.

On 30 September 2008, employees of Greenwich Council engaged in the operation of the Woolwich Ferry transferred to Serco Limited. At the balance sheet date a bulk transfer in respect of 110 employees to the London Pension Fund Authority had not taken place.

The value associated with both of the unsettled transfers is yet to be agreed.

6. Debtors and Creditors

Transactions are accounted for on an accruals basis, except where stated. The following material amounts were due to, or payable from, the Pension Fund as at 31st March 2011.

2009/2010 £000		2010/2011 £000
	Investment debtors:	
2,388	Sale of investments	79
211	Tax refunds due	360
816	Dividends due	763
0	Other	104
3,415	**Total investment debtors**	**1,306**
	Investment creditors:	
(352)	Management fees	(415)
(3,872)	Purchase of investments	(701)
(31)	Custody fees	(28)
0	Actuarial fee	(11)
(4,255)	**Total investment creditors**	**(1,155)**
(1,917)	**Derivative contracts**	**(4,814)**
	Member debtors:	
146	Contributions	160
1	Other	4
147	**Total member debtors**	**164**
	Member creditors:	
(1,748)	Benefits unpaid	(224)
(7)	other	(9)
(1,755)	**Total member creditors**	**(233)**

7. Cash

The cash balance can be further analysed as follows:

	2010/2011 £000		2009/2010 £000	
Alliance Bernstein cash at hand		6,380		6,824
Blackrock cash at hand		0		0
Aberdeen cash at hand (on behalf of Greenwich)		42		0
Fidelity cash at hand		0		0
ING:				
Cash at hand	1,785		26	
Cash on deposit	0	1,785	2,525	2,551
Total Cash		**8,207**		**9,375**

Cash held in a Greenwich Council bank account which belonged to the pension fund totalled £16,351,208 on 31st March 2011 (£518,700 on 31st March 2010). This balance was a result of net member transactions (e.g. contributions in and benefits paid out) and proceeds from the sale of investments. The higher balance at 31st March 2011 is due to the fund commencing a transition process.

8. Taxation

UK Income Tax

The fund is an exempt approved fund under the Finance Act 1970 and is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

Value Added Tax

By virtue of Greenwich Council being the administrating authority, VAT input tax is recoverable on all fund activities.

Overseas Tax

Taxation agreements exist between Britain and certain EC and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

9. Membership of the Fund

The following table summarises the make-up of the membership of the fund as at 31st March 2011.

Membership	**Administering Body**		**Admitted Bodies**		**Scheduled Bodies**	
	10/11	**09/10**	**10/11**	**09/10**	**10/11**	**09/10**
Employees contributing into fund	5,583	5,602	230	230	551	557
Pensioners/Dependents	5,467	5,422	96	95	35	32
Former members entitled to deferred benefits	4,990	4,988	169	169	33	29

* The 2009/2010 figures have been restated due to more up to date data becoming available.

The Scheduled Bodies of the fund are St Paul's Academy, Eltham Crematorium, Greenwich Service Solutions Limited and Greenwich Service Plus Limited.

10. Investment Managers and Market Value

The investment managers and their mandates are as follows:

Manager	**Mandate**
Alliance Bernstein	Active Global Equity
Blackrock	Passive Global Equity
Fidelity	Bond
ING Real Estate Investment Management	Property
LGT Capital Partners	Private Equity
Wilshire	Private Equity

The market value of the fund is comprised as follows:

	2010/2011 Market Value £000	2010/2011 Market Value %	2009/2010 Market Value £000	2009/2010 Market Value %
Alliance Bernstein	258,584	33	264,053	36
Blackrock	290,505	37	267,285	37
Fidelity	138,314	18	129,528	18
Greenwich Council	18,337	2	865	0
ING Real Estate Investment Management	53,504	6	49,062	7
LGT Capital Partners	13,575	2	9,264	1
Wilshire	11,984	2	9,151	1
Total	**784,803**	**100**	**729,208**	**100**

The change in market value of the fund during the year is represented as follows:

Manager	Opening Market Value £000	Purchases £000	Sales £000	Change in Market Value of Investments £000	Change in Working Capital £000	Closing Market Value £000
Alliance Bernstein	264,053	144,955	(159,246)	8,359	463	258,584
Blackrock	267,285	0	(1)	23,247	(26)	290,505
Fidelity	129,528	(191) *	(1)	8,978	0	138,314
ING	49,062	3,230	(712)	2,588	(664)	53,504
Greenwich Council	865	0	(2)	70	17,404	18,337
LGT	9,264	1,911	0	2,400	0	13,575
Wilshire	9,151	1,640	0	1,174	19	11,984
Total	**729,208**	**151,545**	**(159,962)**	**46,816**	**17,196**	**784,803**
2009/2010	**528,677**	**316,517**	**(300,840)**	**191,230**	**(6,376)**	**729,208**

*The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2009/2010 £000		2010/2011 £000
528,677	Opening market value	729,208
9,299	Net revenue cash in/(out) flow	8,779
22,058	Realised profit/(loss)	14,130
169,174	Unrealised profit/(loss)	32,686
729,208	**Closing market value**	**784,803**

11. Investments

The following categories of financial instruments are carried in the Net Asset Statement:

2009/2010 £000		2010/2011 £000
(2,448)	Loans and receivables	82
721,748	Available-for-sale financial assets	760,090
14	Financial assets at fair value through profit or loss	83
0	Financial liabilities at far value through profit or loss	(10)
9,894	Cash	24,558
729,208		**784,803**

The income, expense, gains and losses arising from investing activities which are included in the Fund Account are as follows:

£000	2009/2010		2010/2011	
	Assets and Liabilities as Fair Value through Profit and Loss	Financial Assets: Available for Sale	Assets and Liabilities as Fair Value through Profit and Loss	Financial Assets: Available for Sale
Dividend & interest Expense				(16)
Losses on derecognition		(26,708)		(56.382)
Total Expense in Fund Account	**0**	**(26708)**	**0**	**(56,398)**
Dividend & interest Income		9,025		9,288
Gains on derecognition		48,766		70,512
Total Income in Fund Account	**0**	**57,791**	**0**	**79,800**
Gains on Revaluation	14	169,160	83	38,606
Losses on Revaluation			(10)	(5,993)
Surplus / Deficit arising on revaluation of financial assets in Fund Account	**14**	**169,160**	**73**	**32,613**

The value of quoted and unquoted securities is broken down as follows:

2009/2010 £000		2010/2011 £000
252,878	Quoted	246,234
	Unquoted:	
18,434	Private equity	25,559
450,450	Other	488,369
7,446	Working capital	24,641
729,208	**Total**	**784,803**

Each of the mandated fund managers listed in note 10 have an element of "unquoted stocks". Of the total amount classified as "unquoted – other" £435.4m relates to investment vehicles where the underlying investments are themselves quoted (£402.7m in 2009/2010).

The following table analyses the investment assets between UK and overseas:

2009/2010 £000		2010/2011 £000
504,800	UK	520,668
216,962	Non UK	239,494
7,446	Working capital	24,641
729,208	**Total**	**784,803**

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2010/2011 £000	2010/2011 %
Aquila Life UK Equity Index Fund	Blackrock	223,100	28
UK Aggregate Bond Fund	Fidelity	138,315	18

Investments exceeding 5% within each class of security are as follows:

Class of Security Asset	Manager	2010/2011 £000	2010/2011 % within asset class
Equities			
Aquila Life UK Equity Index Fund	Blackrock	223,100	41
Fixed Interest			
Fidelity UK Aggregate Bond Fund	Fidelity	138,314	100
Property			
Blackrock UK Property Fund	ING	5,196	10
Hercules Property Unit Trust	ING	5,117	10
Schroder Exempt Property Unit Trust	ING	4,825	9
M & G Secured Property Income Fund	ING	3,713	7
UBS Global Asset Management Triton Property Unity Trust	ING	3,510	7
Lend Lease retail Partnership	ING	3,311	6
Palmer Capital Development Fund II Property Unit Trust	ING	2,948	6
Private Equity			
LGT Crown European Private Equity	LGT	13,575	53
Wilshire US Private Markets Fund VII, L.P.	Wilshire	7,260	28
Wilshire European Private Markets Fund VII, L.P.	Wilshire	3,369	13
Wilshire Asia Private Markets Fund VII, L.P.	Wilshire	1,356	6

The Fund has a policy of not entering into stock lending arrangements. Therefore, as in previous years, there were no stock lending arrangements in place during the financial year ending 31st March 2011.

<u>Derivatives</u>
The following investment products are classed as derivatives and may be used by the Fund managers:

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

On 31st March 2011 four "Over The Counter" derivatives existed for the trade of futures to be settled in June 2011. The notional value of these was £4.9m (£1.9m as at 31st March 2010). Included within the Cash Deposits line in the Net Asset Statement there is £274,413.86 which was held as collateral in relation to these derivatives (£98,101.89 in 2009/2010).

12. Investment Income

The break down of Investment income shown in the fund account is as follows:

2009/2010 £000		2010/2011 £000
115	Rent Income from Property	115
6,837	Dividends from Equities	6,614
	Income from pooled investment vehicles:	
1,790	Property Unity Trusts	1,824
358	Private Equity	733
32	Withholding Tax	112
8	Interest	(11)
1	Commissions	28
9,141	**Total**	**9,415**

13. Actuarial Position

The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be revalued every three years, the actuarial valuation applicable for 2010/2011 was carried out as at 31st March 2007 (effective from 1 April 2008). A further valuation has been carried out as at 31st March 2010 the resulting new employer rates are applicable from 1 April 2011.

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a Fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the intervaluation period are summarised as follows:

Financial Assumptions	**March 2010**		**March 2007**	
	% p.a.	**Real % p.a.**	**% p.a.**	**Real % p.a.**
Investment Return				
Equities	7.4	3.9	7.1	3.8
Gilts	4.5	1.0	4.7	1.3
Bonds & Property	5.5	2.1	5.4	2.0
Discount Rate	6.7	3.2	6.6	3.2
Pay Increases	5.0	1.5	5.4	2.0
Price Inflation	3.5	0.0	3.4	0.0
Pension Increases	3.0	(0.5)	3.4	0.0

The difference between the assumptions applied and actual performance in the intervaluation period are as follows:

Financial experience	Actual %	Assumed %	Difference %
1 April 2004 – 31 March 2007			
Price Inflation	3.1	2.8	0.3
Pay Increases	5.0	4.8	0.2
Pension Increases	3.1	2.8	0.3
Investment Returns	15.5	6.5	9.0
1 April 2007 – 31 March 2010			
Price Inflation	2.9	3.4	(0.5)
Pay Increases	5.4	5.4	0.0
Pension Increases	2.9	3.4	(0.5)
Investment Returns	(2.0)	6.6	(8.6)

The market value of the Fund at the 2010 review date was £729m (£758m in 2007) and results showed that assets represented 85% of the liabilities (almost 100% in 2007). The Fund deficit arising from the valuation was £121m as at 31st March 2010 (£4m as at 31st March 2007), which is to be spread and recovered over a 23 year period.

The reconciliation of the primary contribution rate is shown below:

Contribution Rate Analysis	March 2010 %	March 2007 %
Future Service Total	14.1	16.8
Deficit Contribution	4.4	0.3
Short Term Adjustment	0	1.4
Total Employer Contribution Rate	**18.5**	**18.5**

The agreed contribution rates in accordance with the results of the actuarial valuations are as follows:

Year	Greenwich Council	Other Bodies
2010/11	18.5%	16.0% - 21.0%
2011/12	18.5%	16.5% - 21.0%
2012/13	18.5%	16.5% - 21.0%
2013/14	18.5%	16.5% - 21.0%

The net liability of the fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS 19 information available as at 31st March 2011):

		31 March 2011 £000		31 March 2010 £000
Present value of funded obligation				
Vested obligation	(867,310)		(983,436)	
Non-vested obligation	(222,812)		(251,509)	
Total present value of funded obligation		(1,090,122)		(1,234,945)
Fair value of scheme assets		784,803		729,208
Net Liability		**(305,319)**		**(505,737)**

In 2010 the Chancellor announced that future increases in pensions will be linked to CPI rather than RPI. The general trend is for RPI to be higher than CPI. Of the £144.8m reduction in the present value of funded obligation in the table above, £104.3m relates to this change in benefits.

14. Nature and Extent of Risks arising from Financial Instruments

Credit Risk:
This is the risk that other parties may fail to pay amounts due to the Pension Fund. For example a stock may collapse or a dividend due may not be paid out. The Fund only allows its investment managers a low level of risk when undertaking investments to reduce the likelihood of a default occurring on an investment. The Fund also employs a custodian to ensure that all transactions are settled in an orderly fashion.

The fund has a private equity portfolio where there is a higher credit risk. The fund has a target 5% allocation to this area thereby capping exposure to this asset class.

Liquidity Risk:
This is the risk that the Pension Fund might not have the monies available to meet payments due (e.g. to members). Over the past few years contributions have tended to be greater than benefits, ensuring that enough cash is available to meet payments.

The Fund currently utilises two bank accounts. One is held by the Custodian and holds cash relating to investment activities, the other is the Greenwich Council bank account and this holds cash relating to member activities. From 1 April 2011 the Pension Fund will have its own separate bank account for member activities.

If the Fund found itself in a position where it didn’t have the monies to meet its commitments it is able to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash.

Refinancing Risk:
This is the risk that investments need to be sold at a time when prices are less than that which they were purchased for, resulting in a loss being made. To minimise exposure to this risk the investment managers trade their holdings at a steady rate.

Market Risk:
This is the risk that financial loss could arise as a result of changes in such measures as interest rates and stock market movements. The fund minimises these risks as follows:

(i) Interest Rate Risk – To mitigate against this risk the Fund holds a fixed interest portfolio.

(ii) Price Risk – This is the risk that stock prices fall, resulting in a potential loss to the Fund. To mitigate against this the Fund has a diverse portfolio with different asset classes, countries and market sectors. The portfolio is also managed by different managers with different management styles. Therefore any fall in prices should only affect part of the fund and not the fund as a whole. The fund can also utilise futures as part of efficient portfolio management.

(iii) Foreign Exchange Risk - This is a risk that foreign exchange rates move in such a way as to reduce the sterling equivalent of overseas holdings. To mitigate against this risk the fund has holdings in different countries. The fund can also use derivatives to defensively hedge non UK exposure.

Sensitivity Analysis;
Equities are the largest component of the Pension Fund. If equities had been 10% lower on the balance sheet date and hence bonds been 10% higher the value of the fund would have been lower by £48.353m (£46.462m in 2009/2010).

15. Additional Voluntary Contributions

Contributing members have the right to make additional voluntary contributions (AVCs) to enhance their pension. The Council made such a scheme available to staff through Equitable Life. During 2000/2001, Equitable Life announced itself closed to new business. On 25th May 2010 the Government outlined an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Compensation payments are due to start from June 2011. Since 2000 employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, AVCs are prohibited from being credited to the Local Government Pension Fund and are thus not consolidated within the Pension Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31st March 2011, are shown below.

AVC's	Clerical Medical	Equitable Life	Total 2010/2011	Total 2009/2010
	£000	£000	£000	£000
Opening Fund Value	907	623	1,530	1,342
Income:				
Contributions	169	7	176	160
Change in Market Value of Assets	59	31	90	275
Transfer Values	3	0	3	0
Expenditure:				
Life Insurance Premiums	0	(1)	(1)	(1)
Retirement Benefits	(230)	(23)	(253)	(242)
Leavers (Transfers and Withdrawals)	(8)	(2)	(10)	(4)
Refunds	0	0	0	0
Contributions Received (Not Yet Used to Purchase Benefits)	0	0	0	0
Closing Fund Value	900	635	1,535	**1,530**

16. Related Party Transactions

During the year no trustees or Council chief officers with direct responsibility for pension fund issues, have undertaken any declarable transactions with the Pension Fund, other than the following:

1. The Pension Fund had a cash balance of £16,351,208 held within the Council's bank account as at 31st March 2011 (£518,700 as at 31st March 2010).
2. During the year the Pension Fund cash balance held within the Council's bank account fluctuated between periods of being in debit and credit. The net interest for the year charged by the Council in respect of this was £15,490.39.
3. Administrative services were undertaken by the Council on behalf of the Pension Fund, under a Service Level Agreement valued at £672,799 in 2010/2011 (£778,059 in 2009/2010).
4. With respect to Scheduled Bodies an amount of £13,533.44 was owed to the Fund by St Paul's Academy at year-end for contributions due (£14,439.94 in 2009/2010).
5. The following trustees are also members of the Pension Fund:

- Councillor Brooks
- Councillor Adams
- Councillor Kotz.
- Councillor Cornforth

17. External Audit Fees

Included within administration expenses in the Fund Account are external audit costs of £35,000 exclusive of VAT (£38,500 in 2009/2010). There was also a rebate of £3,500 relating to the 2009/2010 audit.

18. Contingent Liabilities

There were no contingent liabilities as at 31st March 2011.

19. Commitments

The fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time as and when the private equity managers request them. As of 31st March 2011 the fund had £10,571,611.10 of private equity commitments outstanding. (£14,938,942.94 as at 31st March 2010) These are not required to be included in the pension fund accounts.

Glossary

Accounting Policies
Rules and Practices are adopted by the Council that dictate how transactions and events are shown or costed.

Accruals
Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary
An independent professional who advises on the position of the pension fund.

Actuarial Valuation
The Actuary reviews the assets & liabilities of the pension fund every three years.

Appropriation
The assignment of revenue for a specific purpose.

Balance Sheet
A statement of recorded assets, liabilities and other balances at the end of an accounting period.

BVACOP
Best Value Accounting Code of Practice.

Capital Expenditure
Expenditure on new assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts
Income received from the disposal of land, buildings & other capital assets.

Code
The Accounting Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011.

Collection Fund Account
A fund operated by the billing authority into which all receipts of Council tax and National non- domestic rates are paid.

Community Assets
Assets that the Council intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal e.g parks and historic buildings.

Comprehensive Income and Expenditure Statement
Statement of net cost for the year of all the Council's services, and how this cost is financed from government grant and local taxpayers.

Council Tax
A tax on domestic properties introduced 1st April 1993 to replace the Community charge.

CPI
Consumer Prices Index – a measure of inflation.

Creditors
Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

Debtors
Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

Deferred Liabilities
Amounts owed by the Council repayable after 1 year.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves
Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fair Value
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership to the lessee. Assets under such leases are recognised as the lessee's property.

FIAA – Financial Instruments Adjustment Account
Provides a balancing mechanism between the different rates at which gains and losses are recognized under the SORP and are required by statute to be met from the General Fund.

Fitch
Company that provides credit ratings.

General Fund
The account that summarises the revenue costs of providing services that are met by the Council's demand on the collection fund, specific government grants and other income.

Gross Expenditure
Total expenditure before deducting income.

HRA
This is the Housing Revenue Account, which includes the expenditure and income for the provision of rented dwelling. Items to be included are prescribed by the 1989 Local Government and Housing Act.

IAS19
IAS19 is a complex accounting standard, but is based upon a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Following the adoption of IAS19, the net pensions asset/liability to be recognised is made up of two main elements:

Liabilities – the retirement benefits that have been promised

Assets – the attributable share of investments held to cover the liabilities.

A further explanation of this issue is given within the Statement of Accounting Policies.

IFRS
International Financial Reporting Standards.

Infrastructure Assets
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

Minimum Revenue Provision
The amount that the Council has determined to set aside each year as a provision for the repayment of debt.

National Non Domestic Rates
A flat rate in the pound set by Government and levied on businesses in the borough.

The tax is collected by Greenwich and paid into a central pool. This central pool is redistributed on the basis of adult population.

Net Expenditure
Gross expenditure less income.

Non-Current Assets
(In)tangible assets that result in benefits to the Council and the services it provides for more than one year.

Non-Operational Assets
Non-current assets held by the Council but not used or consumed in the delivery of services e.g investment properties and assets that are surplus to requirements.

NRC
Neighbourhood Resource Centre.

Operating Lease
A lease under which the asset can never become the property of the lessee.

Outturn
Actual income and expenditure for a financial year.

Precept
The charge made by one authority on another to finance its net expenditure.

Private Finance Initiative
Government initiative under which the Council buys the services of a private sector supplier to design build finance and operate a public facility.

Provision
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PWLB
Public Works Loans Board (advances loans to local authorities).

Rateable Value
The value of a property for rating purposes set by the Inland Revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by the government.

Reserves
The amount held in balances and funds that are free from specific liabilities or commitments.

Revenue Expenditure
The regular day-to-day running costs incurred in providing services e.g employee costs and purchase of materials.

Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Council owned assets.

Revenue Support Grant
The main grant paid by central government to the Council towards the costs of all its services.

RPI
Retail Prices Index – a measure of inflation.

Soft Loans
Funds advanced at less then market rates.

Statement of Recommended Practice
Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Support Services
Activities of a professional, technical and administrative nature, which are not Council in their own right, but support front line services.

Trading Accounts
The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's accounts.